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CONTENTS

24 September 1990

NOTICE TO READERS: Beginning 4 October 1990, the GERMAN DEMOCRATIC REPUBLIC section of both the East Europe DAILY REPORT and the East Europe JPRS REPORT will cease publication. Also on that date, the FEDERAL REPUBLIC OF GERMANY section of the West Europe DAILY REPORT will be renamed GERMANY. The GERMANY section of the West Europe DAILY REPORT will include material previously published under the FRG, GDR, and German Unification rubrics, as well as material previously found in the GERMAN DEMOCRATIC REPUBLIC section of the East Europe JPRS REPORT.

POLITICAL

INTRABLOC AFFAIRS

Romanian Interior Minister Interviewed on Visit to Hungarian Area [Bucharest ROMANIAI MAGYAR SZO 12 Aug]	1
---	---

HUNGARY

Prospects for Expanding Economic Ties to South Korea Said Favorable [NEPSZABADSAG 23 May]	2
MDF Secret Service, Protective Service: Existence Alleged, Denied	4
Secret Service Allegation [REFORM 17 Aug]	4
Protective Service Allegation [REFORM 17 Aug]	5
MDF Denial [REFORM 17 Aug]	5
Former Senior Official Adviser to Finance Minister Rabar [MAGYAR HIRLAP 27 Jun]	6
Indemnification of Former Property Owners Considered [MAGYAR HIRLAP 11 Aug]	8

POLAND

POLITYKA Weekly News Roundup [POLITYKA 14 Jul]	9
USSR Ambassador to Poland on Border Crossings, Oil, Security [SLOWO POLSKIE 7 Aug]	12
Center Accord Offers Corrective Economic Program [TYGODNIK SOLIDARNOSC 13 Jul]	13
Fikus on RZECZPOSPOLITA, Media, Solidarity Split [WPROST 15 Jul]	15
Father Jankowski on Walesa, Split, Recent Political Developments [POLITYKA 21 Jul]	17
Christian National Union Head on Unions, Political Concept of Right [TYGODNIK ROLNIKOW SOLIDARNOSC 22 Jul]	21

MILITARY

HUNGARY

NATO Secretary-General Interviewed: New European Order [NEPSZABADSAG 21 Jul]	23
--	----

POLAND

Ammunition-Manufacturing Firm Seeks Markets in Western Europe [GAZETA BANKOWA 29 Jul-4 Aug]	25
--	----

ECONOMIC

CZECHOSLOVAKIA

Advantages of 'Coupon' Privatization Discussed [ZEMEDELSE NOVINY 18 Jul]	27
Transition to Market Economy Strategy Outlined [HOSPODARSKE NOVINY 25 Jul]	28
State Farm Transition to Cooperatives Procedure Viewed [ZEMEDELSE NOVINY 28 Jul]	31

HUNGARY

Agricultural Reorganization Progress Report [NEPSZABADSAG 19 Jun]	32
IBUSZ Privatization Stock Scandal	35
Summary of Events [NEPSZABADSAG 5 Jul]	35
Stock Exchange Chief Comments [NEPSZABADSAG 5 Jul]	35
State Secretary Matolcsy Implicated [NEPSZABADSAG 5 Jul]	36
Privatization Chief Defends Action [NEPSZABADSAG 5 Jul]	36
Tompe's Removal From Office Possible [MAGYAR HIRLAP 5 Jul]	37
Austrian Bank Explains Position [MAGYAR HIRLAP 7 Jul]	38

POLAND

Enterprises Limit Exports to USSR; Import Reductions Also Noted [TRYBUNA 5 Jul]	38
Bankrupt Enterprises Choose Either Liquidation or Reparation [GAZETA WYBORCZA 10 Jul]	40
Steel Mills at Crisis Point; Government Support Role Necessary [GAZETA I NOWOCZESNOSC 12 Jul]	41

INTRABLOC AFFAIRS

Romanian Interior Minister Interviewed on Visit to Hungarian Area

90BA0284A Bucharest ROMANIAI MAGYAR SZO
in Hungarian 12 Aug 90 pp 1, 3

[Interview with Romanian Interior Minister Doru Viorel Ursu, by Katalin Beres; place and date not given: "Neither County Was Unknown Territory to Me"—first paragraph is ROMANIAI MAGYAR SZO introduction]

[Text] Statements reporting on, and analyzing the meeting that took place in Kovaszna and Hargita counties reveal that the Ministry of the Interior and the local police are striving to conduct themselves objectively, and that there is a need for legality, dialogue and peace. For this reason, the Ministry of the Interior was the last stop in our effort to draw conclusions from this meeting. The interior minister, himself a participant at the meeting, responded to our questions readily and in a candid manner. Quite naturally, the fact that our newspaper could not be present at the meeting served as a starting point of our conversation. We asked him to tell us what issues were placed on the agenda and that he briefly describe the lessons to be learned.

[Ursu] I would begin by saying that I regret that your newspaper's representative did not take part in this visit; undoubtedly this was an organizational shortcoming on our part. Actually, several political formations and representatives of the press journeyed there with a desire to familiarize themselves with the atmosphere that prevails in the two counties, and the concerns which preoccupy people. Because at present the greatest mistake would be to cover up the truth, to avoid [facing] the problems. We conducted a series of discussions. The issues were also debated based on the two counties' social, political, ethnic and religious realities. Insofar as I am concerned personally, I endeavored to learn on the spot the problems faced by the police. We start out from the fact that these organs are under the jurisdiction of the Interior Ministry. It is not the purpose of the ministry to become involved in politics, it does not want to be used by some party for political purposes or in the interest of some political institution. Just as in any civilized country, including the great traditional democracies, the Interior Ministry is a fundamental institution. Its main goals are to ensure equality, public order, calm and legality.

Accordingly, our visit did not have any political, or other purpose of a similar nature. This is also proven by the fact that the composition of the delegation was rather mixed. Representatives of the parliament—the Senate and the House, the government, the Romanian News Service [unclear: "Hirszerzo"; ?Romanian Intelligence Agency], and of several newspapers took part; I repeat, it was a mistake, and I would be hard put to explain why your newspaper was left out, but I hope that I will be able to make up for this somewhat with our discussion.

Returning to our visit: Under no circumstances did it have propaganda purposes, we did not want to conduct an inquiry, an investigation. This was a broadly based exchange of minds, so that we come closer to the people of these areas. We would like to be informed on time if ethnic problems emerge, so that we may help make peace. In my view, open talk, debating the differences of opinion help prevent tragedies similar to the one at Marosvasarhely [Tirgu Mures]. Perhaps this will sound odd to you, but we did not go there with a list of topics prepared in advance. Our goal was to become mutually acquainted.

[Beres] What provided the occasion for the meeting?

[Ursu] Our specific starting date was 13 June, at which time the county and municipal police headquarters were attacked in Csikszereda [Miercurea-Ciuc]. I would like to make clear to everyone that the Interior Ministry represents the interests of everyone, and based on its function it must ensure the peace and security of every citizen of Romania. Further, I would also like everyone to understand well: Any action taken against our institution, our work associates, is regarded as outside the law. If we make it our goal that the Romanian police, the workers of the Interior Ministry, pursue a dignified, balanced, proper activity to protect the interests of any citizen of the country, we expect that the citizens relate to us in an appropriate manner. In the bygone system this institution served the interests of the dictatorship, against the people. The image that evolved as a result, must disappear as soon as possible, and everyone should understand that any state will have in its own fundamental structure a ministry which upholds legality and public security.

[Beres] What other issues were discussed during the visit?

[Ursu] We could not avoid analyzing the fact that teachers and other members of the intelligentsia of the Romanian nationality are leaving the county, as well as other issues. The time has come to examine the differences of opinion in a sober way, to look candidly in each other's eyes, and to find the bridges which link us together. And we confront all extreme manifestations, irrespective of what side they come from. In this sense our ministry would like to develop relations in which every citizen feels that his interests are respected.

[Beres] Returning to the matter of members of the intelligentsia who left the two counties: according to the local people most of those who left went home, pursuant to their individual interest they took advantage of the new opportunity. How did you see this matter?

[Ursu] I did not make a statistical assessment as to how many [left] and how, it makes no sense to hide the reality. I must confess that I experienced a certain kind of uncertainty on part of the teachers and the populace who are in the minority in these areas. Just as I will note, and they said this also in Kovaszna County, the inhabitants of the two counties feel that they are being

isolated, and that there are obstacles in the path of exchanging values, including material values. I will raise this issue also in the cabinet, so that no one feels isolated, being placed on the margin. The people said that in other counties they are being received with reservations, with a lack of confidence. I am glad that these matters were revealed, and we can act to dispel lack of confidence so that the neighboring counties may cooperate in a better way in all respects. Even more so, because in the course of dialogue it turned out that particular opportunities exist for economic cooperation and for the mutual exchange of goods in the two counties.

[Beres] What conclusions would you draw based on the experience you gained in the two counties?

[Ursu] Beyond words, beyond dialogue, I can also read from the air I breathe. For this purpose I took long walks, visited stores, listened as people talked. I noticed that there is still a lack of confidence and there is suspicion which may produce intolerance and hostility. I also experienced that policemen have difficulty in sending their children to school, and their wives have difficulty in adapting to certain work communities. For this reason I requested the local organs to provide help regarding concerns of this nature.

[Beres] Did you find any misinterpreted phenomena in the course of your discussions?

[Ursu] It is possible that you or your colleagues will take this amiss, but most apprehension was directed against the accusations that appeared in the press. Once again there is a need for a nonpartisan press, for basing objective, proper statements on specific, reliable, controllable data. As the representative of the Interior Ministry I also expect the press to serve the spirit of legality.

[Beres] How were you impressed by the counties and cities you visited, let's say with your first stops, Sepsiszentgyorgy [Sfintu-Gheorghe] and Kezdivasarhely [Tirgu Seculesc]?

[Ursu] Neither county was unknown to me. I spent several vacations with my family in Tusnad [Romanian name unknown], and in each instance we were lodged at Hungarian homes. The civilized life style, the cultural level, the good feeling and tact with which they received us made a rather good impression on me. The cities I visited are flourishing centers of civilization on the map of our country.

[Beres] What is your message to our readers?

[Ursu] We are using the best of our strength and ability to provide peace and security for every citizen of the country, but we also expect citizens to have confidence in us, that they shall be convinced that we represent legality and that we defend them in their everyday lives. We expect to receive all help in these endeavors of ours, and that public opinion will be on our side. We are open in our workings, we have nothing to hide, for this reason

we base all our measures on cooperation established with the populace. Speaking the same language with everyone, prompting all citizens of our country to be respectful and tolerant.

[Beres] In conclusion, permit me to state that based on reports received from the county, your participation in these meetings, your words were received by the inhabitants of the two counties with respect and recognition.

[Ursu] I would like you to be convinced of my sincerity and good intentions. But, I repeat, these will not be expressed by our words only, but our daily actions must prove that the bridges of cooperation and acquiescence are being built, that they exist.

HUNGARY

Prospects for Expanding Economic Ties to South Korea Said Favorable

90CH0228A Budapest NEPSZABADSAG in Hungarian
23 May 90 p 16

[Interview with Sandor Csanyi, commercial counselor; place and date not given: "Through Hungarian Eyes in Seoul"]

[Text] News about economic relations between Hungary and South Korea hardly attracts notice nowadays. Even the very recent past, when someone pricked up his ears if he heard something, seems distant. Now that the initial stage is over, specialists prefer to ponder what this geographically remote market, despite all its present problems, and this connection to a South Korean economy that has undergone unusually spectacular development hold for Hungary. How could we take advantage of the easily perceptible interest South Korea shows in our country? Sandor Csanyi, Hungary's first permanent commercial representative in Seoul, has played an active role in boosting economic ties between Hungary and South Korea. We asked him about everything, mainly the early years, and how he sees things at close range, through Hungarian eyes, in Seoul.

[Csanyi] It has been a great pleasure but at the same time a challenge to be able to participate from the outset in the development of trade relations between the two countries. When I arrived here with my family a few months before the start of the Seoul Olympics, Hungary was almost completely unknown to South Korean business circles. However, the fact that we were the first East European country to open a trade office in Seoul undoubtedly elicited great sympathy for, and interest in, Hungary.

At the same time, it has been necessary to struggle against the bloc mentality and to show that our country's political and economic reform process offers the opportunity for the development of mutually beneficial long-term relations and assures safer and more profitable trade for countries of the open plain.

Who Wants What

[NEPSZABADSAG] What do you think about the way relations have evolved during the last three years?

[Csanyi] The revelation and exploitation of business opportunities, and the considerable interest that became evident, necessitated a "hectic" work pace whose outcome, however, was successful. In contrast to the virtually negligible direct foreign trade of the previous two years, we reached 70 million dollars in 1989, so that the value of bilateral shipments doubled from one year to the next, and Hungarian exports amounted to 19 million dollars.

We also made measurable progress in importing South Korean working capital. This year two joint enterprises began operations in Hungary by taking in a South Korean partner.

With an investment of several million dollars, Orion and the Samsung Electronics plant began to manufacture color television sets in April, and the partners plan to expand their activity to include other electronic and telecommunications products, for example, digital telephone networks.

The Hungarian Credit Bank, together with the firm Daewoo Securities, established a commercial house named Investrade, which also fulfills a banking function and through which we expect the Daewoo concern to invest in Hungary. The South Korean capital share of roughly 50 million dollars by the end of 1989 was rated the biggest joint enterprise investment.

With the parallel resumption of diplomatic relations—likewise the first, and in record time—we created the interstate agreements that provided a safe and secure foundation for expansion of trade relations between the two countries' enterprises.

There were also two Hungarian fairs in Seoul. We participated in several technical exhibits there, and our partners did likewise in Budapest.

An important reason for the rapid growth of bilateral foreign trade—in addition to efficient business practice and mutually keen interest in commerce—is the complementary nature of the two countries' economic structures. While in our country the demand is great for the products of South Korea's electronics, textile, and telecommunications industries, here the interest is strong in the output of Hungary's chemical, pharmaceutical, steel, and (more recently) machine tool industries.

This trend is evident in the structure of bilateral trade. It is a new and (for us) propitious sign that machine tool and aluminum industry products have turned up in Hungarian exports alongside the traditional steel products, PVC powder, active pharmaceutical ingredients, and incandescent lights. The bulk of South Korea's exports consists of chemicals, electronic components and devices, and raw materials for the textile industry.

[NEPSZABADSAG] What do you think the chances are for growth in foreign trade this year, and what do you predict for the next two or three years? In your opinion, which factors can promote or hinder trade expansion?

[Csanyi] We are counting on the further dynamic growth of trade in 1990, and its value is expected to reach 100 million dollars. The trend in Hungarian exports will continue: The proportion of more highly refined products will grow, and we count on increased shipments of machine tools and aluminum industry products. We also expect to introduce several food products to the South Korean market.

Hungarian shipments worth \$25-30 million all told are predicted. At the same time, as a result of Hungary's liberalized import policy, cheap South Korean products valued at \$60-70 million, mainly those of the textile and electronics industries, are expected to pour in at an ever greater tempo.

The sign of further dynamic growth in trade is improvement in the conditions for market openings. Can Hungarian meat, among other things, gain access to the South Korean market? With the help of meat exports we could more closely approach a healthier balance of trade. It now seems that we have a good chance to acquire an import license because we discontinued inoculations against foot-and-mouth disease on 1 January of this year. We have already begun talks with the responsible veterinary authorities.

Faster Reaction

[NEPSZABADSAG] Will the signs pointing to a standstill in South Korea's economic development exert an influence on bilateral economic relations?

[Csanyi] The recently reshuffled South Korean Government hopes to alter the unfavorable economic climate by a series of measures and to promote the regrowth of exports, which it considers the main tractive force. The stabilization of prices, the rigorous suppression of land speculation, and keeping the growth rate of wages beneath the growth level of productivity—these are the guiding principles of the new government's economic program.

The unfavorable economic trends mentioned above are not expected to affect bilateral economic relations. Indeed, the establishment of joint enterprises, for example, is boosted by the fact that, as a result of South Korea's frequent workplace disputes and increased domestic production costs, many firms want to manufacture components and locate production facilities abroad.

[NEPSZABADSAG] Because of your work, you maintain continuous contact with representatives of South Korea's Government and business world. What is your impression: Has Seoul's interest in Hungary diminished in the wake of comprehensive changes in East Europe? How do our partners several thousand kilometers away

view the Hungarian economy's situation? To what extent will Hungary's change of regime affect bilateral relations?

[Csanyi] Our experiences have been very good. The ministries of economics are ready to engage in talks at any time and to promote bilateral relations. People in government circles speak respectfully about Hungary's political and economic reforms and democratic transformation. Due to the proliferation of small businesses and the progress of privatization, it is expected that inter-company relations will improve and that trade will be livelier and more efficient. However, the underdeveloped infrastructure—for example, the network of roads and telephones—is seen as a problem to be solved quickly.

The businessmen's interest in Hungary remains unchanged. Yet the signs are indisputable that their attention is already divided between Hungary and East/Central Europe's other rapidly emerging democracies which, in the meantime, have entered into direct commercial and diplomatic relations with the Republic of Korea.

We can meet this challenge only if we redouble our efforts, speed up our commercial reaction time, and maintain our partners' interest by consistently pursuing reforms.

Joint Enterprises Preferred

[NEPSZABADSAG] There are already examples of joint enterprise cooperation whose significance extends beyond bilateral trade. In which new areas do you see opportunities for this?

[Csanyi] The key issue in our economic relations with South Korea is joint enterprise cooperation whose significance extends beyond bilateral trade. Besides the two already existent joint enterprises, talks continue in numerous areas concerning the development of such cooperation, and encompass several spheres of industry, including the service industries. The conditions for rapid implementation are most promising in the chemical, pharmaceutical, and synthetic material industries. In the service sector, negotiations have begun concerning the construction of business houses, the opening of Korean restaurants, and the establishment of tourist agencies.

Both governments emphasize the creation of joint enterprises, and toward this end the South Korean Government assures South Korean firms favorable financing worth hundreds of millions of dollars.

[NEPSZABADSAG] In your opinion, what Hungarian measures are needed to improve economic relations and conditions for cooperation? On the basis of your experience, what advice would be useful for Hungarian enterprises that are interested in business opportunities in South Korea?

[Csanyi] To begin with, we Hungarians could encourage the development of economic relations by submitting concrete projects: In which areas and to what extent could prosperous South Korean industry participate in reconstruction of the Hungarian economy. Hungarian business firms greatly lack concrete ideas—and the feasibility studies that are elaborated on the basis of such ideas. These might be the preconditions for us to take advantage of the significant opportunities in export financing promised by the South Korean Government. I want to point out, however, that Hungarian banks have failed to work out a financial mechanism on the basis of which this cheap credit could be made available to our enterprises.

I otherwise recommend that Hungarian business firms, in preparing feasibility studies and establishing joint enterprises, avail themselves of the services offered by the Korea Development Bank's recently opened Budapest office, which can provide not only banking but also economic advice.

Finally, of course, the Hungarian Trade Office in Seoul stands ready to help every small and large firm and, on the basis of broad market experience, to recommend trade and joint-enterprise partners to those interested.

MDF Secret Service, Protective Service: Existence Alleged, Denied

Secret Service Allegation

25000787A Budapest REFORM in Hungarian
17 Aug 90 pp 1, 7

[Article by (samu): "MDF [Hungarian Democratic Forum] Secret Service?"]

[Text] Secret "cadre characterizations" from a certain Bonnya pusztá [farm] are moving from one place to another. They state who is reliable and who is not, and why, and who the "undesirable" founders and board members of the Hungarian Democratic Forum [MDF] are. One wonders, is the "prompter" establishing files and sending reports as a matter of misguided devotion, or...

Could it be that vice chairman Sandor Lezsak is the head of the MDF internal security service? A 76-year-old pensioner from Bonnya Pusztá would be hard put to write reports addressed to the vice chairman at party headquarters on his own, and would hardly maintain files on his own volition concerning the activities of prominent persons at MDF organizations in the countryside. It would be nice to obtain a reassuring answer.

The contents of a report entitled "Landscape Prior to the Battle" written in May 1990 may be regarded at least as an examination of reliability, because the report amounts to none other than someone informing the distant party headquarters of who the reliable persons are. But could all this be reconciled with Lezsak's garden at Lakitelek, and with the spirit of that garden? Can all

this be reconciled with party discipline—even if we do not point directly at the MDF?

True, in our not too distant past there had been a party which maintained a State Security Authority [AVH]. And there also existed a party which kept its cadre characterizations in utmost secrecy. The latter was called the Hungarian Workers' Party [MDP]. Well, the acronym which designated this party [MDP] consisted of three letters, but insofar as its activities were concerned, the "D" in the middle did not stand for "Democratic." The contents of the reports forwarded to MDF headquarters are also far removed from democracy: considering their content, it is easy to figure out that at issue is the blackballing of some "undesirable" founders and board members of the MDF, without informing the affected persons of the charges, of course. (One wonders whether Bonnya Puszta is the only place which dispatches such reports to Budapest?)

One also wonders whether these reports will have personal consequences. The explanation which holds that headquarters must be aware of what is going on in the countryside is by far not acceptable after all. This method of reporting may be regarded as anything but the proper conveyance of information. (Under no circumstances would we put on paper that these are Stalinist mood reports.) Could it be that this is a humble servicing of a central endeavor?

This much is certain: There is trouble in an organization in which a writing—diagnosis, report, complaint, mood report, squealing?—like this is produced at the request of one of the vice chairmen. The trouble rests either with the organization itself, or with members who unconditionally abide by old reflexes. But at any case, there is a problem with "democracy" and with "forum". At least "Hungarian" is right! [in Hungarian Democratic Forum] For the time being.

Protective Service Allegation

25000787A Budapest REFORM in Hungarian
17 Aug 90 p 7

[Article by -s-: "New Condor Legion?"]

[Text] There you are: Could it be that the "calm force" is not so calm after all? Obviously not, insofar as the personal security and the security of its members' property is concerned. Some organizations offer their personal and property protective services to the strongest ruling party based on the notion that the MDF [Hungarian Democratic Forum] is in need of protection. After all, security professionals must know this, irrespective of whether the Forum wants protection or not.

What an "offer" like this is doing on the bulletin board of the MDF Bem Square headquarters is yet another question. At issue is none other than a party which may use the services of Condor subcontractors on a priority basis. This party also fought hard for the nonpartisan character of all kinds of armed organizations. But does

the advertisement pertain "only" to personal and property security or to something entirely different? Something more, something that creates a familiar feeling of fear, because we should not forget a few lessons learned in the recent past. And we should by no means forget that the MDF had earlier established its internal security organizing group which was active at MDF functions. This group provoked mixed emotions and passions. The MDF obviously organized this group based on an ill-conceived notion of self-defense.

Incidentally, on the basis of the text of the advertisement one may suspect tax fraud or at least an intent to commit tax fraud. This is so because one pays taxes to the State Revenue Service [APEH] and not to some social foundation of a party organization.

Before MDF press organizers could get hung up on this, we sought out the manager [of the security organization] who has such entrepreneurial spirit. He reassured us that it was "only" that the text was inaccurate. Well, of course, one must know how to write clearly, not only in journalistic circles.

And another matter in regard to which we may agree with the Condor chick: A letter of commitment like this has no place on the bulletin board of any party. On our part we will add: It should have no place in the vault, desk drawer or even the mind of any party leader.

MDF Denial

25000787A Budapest REFORM in Hungarian
17 Aug 90 p 7

[Article: "The MDF [Hungarian Democratic Forum] Appreciates It"]

[Text] We appreciate the visions of the clever journalist! Many news items are posted on our bulletin board, but we do not have a person in charge of the bulletin board. Incidentally, the advertisement objected to is no longer posted.

At MDF [Hungarian Democratic Forum] headquarters no one has ever requested anyone to prepare personal assessments of others. To my knowledge, Janos Nagy of Bonnya Puszta dispatched his qualifying reports and visions not only to headquarters. Photo copies of the ominous letter also reached several Somogy County organizations. On 3 August, at the Somogy County Mediation Council, I requested the county ethics committee to investigate this matter. The committee was established recently. MDF headquarters does not react to any report of this, or similar sort, and does not regard the contents of such report as the truth. We always endeavored and continue to endeavor to make judgments based on several opinions, irrespective of what is at issue.

Imre Furman, MDF vice chairman

Former Senior Official Adviser to Finance Minister Rabar*90CH00315B Budapest MAGYAR HIRLAP
in Hungarian 27 Jun 90 p 8*

[Interview with Mihaly Kupa, former chief of a department within the Ministry of Finance, by Ilona Kocsi at the Ministry of Finance; date not given: "Farewell to State Administration?"—first paragraph is MAGYAR HIRLAP introduction]

[Text] Mihaly Kupa is regarded as one of the big losers in the change of regimes. Earlier he was being mentioned in professional circles as the finance minister designate, and later as the future permanent state secretary at the Ministry of Finance. The guessing proved wrong. Indeed, the "finance minister designate" is even leaving the ministry. We interviewed Mihaly Kupa about the reasons for his departure and his economic prospects.

[Kocsi] You are being interviewed here at the Ministry of Finance, in the Secretariat of the Committee on Budgetary Reform, which you are still heading. Why are you leaving your post? Because you lost?

[Kupa] I am not aware of being a loser. Although I was considered for the post of permanent state secretary, I would not have accepted that position. Neither that, nor the position of head of a possible Budget Office. Incidentally, the Secretariat of the Committee on Budgetary Reform ceased to exist as of 1 February. It was abolished still in Laszlo Bekesi's time; merely the signs have not been taken down. My commission expires on 30 June. That was what I agreed to with Laszlo Bekesi. I did not want to leave the new leadership in a lurch by departing with the others.

[Kocsi] But you are leaving soon, nevertheless. As if you wanted to dissociate yourself from the new leadership.

[Kupa] There is no question of my wanting to do that. Indeed, I would like to state that Ferenc Rabar presents a refreshing change. First, because he thinks comprehensively, which was not typical earlier. Secondly, because he understands economic problems. Thirdly, because he is an honorable, straightforward person. I am saying this sincerely, not just to be polite. In fact, I will be leaving but also remaining: I will be the finance minister's personal adviser.

Tax System Has Become Devoid of Principle

[Kocsi] That is a surprising turn. Would it not have been more simple to stay here entirely?

[Kupa] As an adviser, one might say with a touch of humor, a person is a sample of no commercial value. Not being responsible for implementation, I will be able to assess the processes more objectively. Moreover, I know the apparatus too well. Which means that occasionally my decision might have been more subjective than what would have been desirable. But the real reason is that the constant fighting has tired me out. I entered the ring in

1982, when we joined the International Monetary Fund. Since then I have been overburdened constantly, even if it did not show on me. I have had enough. It is now the younger generation's turn. To merge and reorganize two or three institutions, and to develop the model of the market economy would have been too much for me.

[Kocsi] You prefer to stop the work you were doing and leave it unfinished? You guided the tax reform through, but you have not succeeded in reforming the state budget.

[Kupa] You are mistaken. Despite all the opposition and without the least bit of guidance on policy principles, we completed the outline of budgetary reform and took it as far as the parliament. It was really not our fault that the old National Assembly did not consider the outline. The policy principles, then, have been worked out and are available. Tinkering with the techniques can now follow. That is the part of the work I did not like anyhow. By the way, I have long been seeking a position outside state administration to which I could move on.

[Kocsi] It sounds as if you have found such a position.

[Kupa] Yes. A Canadian-American-Japanese global corporation is establishing an auditing and business consultancy firm here in Hungary, and probably I will be heading that firm. Up to now I have been viewing the market economy from within state administration, and now I would like to become acquainted with the market economy also from the other side. That will certainly require three or four years. After that we will see. From the "reserve" I might even return to state administration. Although many people here in the ministry are of the opinion that anyone who once has left the ministry is never able to "crawl back." As if this were the intellectual summit, the peak of one's career. Yet it occasionally does not hurt to check also from the other side whether what we invent here actually works.

[Kocsi] "All elements of the fiscal system have collapsed," you declared recently. That could even be self-criticism. As the head of a main department within the ministry, after all, you did have quite a lot to do with the fiscal system.

[Kupa] The whole thing is not quite so simple. Take the tax system, for instance. What is bad about the tax system is not its underlying principle, but the fact that it has distorted relative incomes. It is chock full of exemptions. Thus it has gradually become devoid of principle. And we need a new Law on the State Budget because the one now in force has not changed much since 1968-1970. Yet practically everything else has changed. Whatever was functional in the present Law on the State Budget no longer works. The way wages and material expenditures can be grouped anyway you like is outright comical. Moreover, we employ wage control at state enterprises, because that is what the tax on wages [wage increases] amounts to. At the same time, budgetary organs are able to raise wages as they please. We have liberalization where strict state fiscal discipline is needed, but there is

no liberalization where it is needed the most. That is why I said that everything is bad and nothing works. This is the result of our failure to implement any program consistently in the past. All we did was to talk about it endlessly. Therefore the past two years have only aggravated the entire situation: Everyone wants to salvage his position, which is an understandable human aspiration. But that has produced some quite peculiar results. Take monetary regulation, for example. It keeps only the balance of payments in check, but does not know what to do about inflation. The imposition of monetary restraint was in vain if taxes were reduced at the same time. Wherever we look within the fiscal system, all we find is chaos. And, in my opinion, this will only intensify if the parliament places the Draft Law on Local Government on its agenda before it considers budget reform. The reorganization of public administration is necessary, but everything else is rash. What this will lead to is that in the end the central government will be left without any revenue, while some revenue will trickle in at the lower levels.

Serious Mistake

[Kocsi] Yet the parliament will be considering the Draft Law on Local Government already next week. The government wants it passed on a motion of urgency.

[Kupa] That would be a serious mistake, in my view. The Minister of Economy and Finance—for that is Ferenc Rabar's portfolio—is first among equals. If his status is not respected in practice—i.e., if economic considerations are disregarded in the order in which legislation is placed on the agenda—very serious economic difficulties might arise.

[Kocsi] In spite of this, you said earlier that this country's prospects of a better future were fantastic. In view of your present pessimism, I would like to know on what you based your optimism earlier?

[Kupa] I also said that those prospects were contingent on the government's functioning well. There are a few things we should learn before legislating. For instance, the difference between land reform and compensation. It is not advisable to confuse the two. Or that, once we have sold an enterprise, we cannot undo the deal, no matter how disadvantageous it is for us. Except when a crime has been committed. The processes, the necessary steps must first be thought through before we take them. But then we must act very quickly and decisively. Procrastination—here I have in mind the debate on overseeing the management and disposal of business assets belonging to the State Assets Fund—does not benefit anyone or anything.

[Kocsi] You are a member of the Bridge Group. That association has given the new government a minister, in the person of Bela Kadar, and a state secretary, in the person of Gyorgy Matolcsy. Such close personal ties also

mean that the program the government is now implementing incorporates also several elements of your concepts. Consequently, the success or failure of the current government program is also your concern.

[Kupa] That is very flattering. In formulating its economic concepts, however, the Bridge Group could not strive for comprehensiveness, something a government program must aim for. Therefore the government would have presented proof of its own incapacity had it relied solely on our group. There is no question of the government's having done so. The Bridge Group, incidentally, is still functioning. Its first more significant report will be an analysis of the government program. I am not saying we would like to be the entire nation's living conscience; but the profession's, certainly.

[Kocsi] Are you analyzing the current government program?

[Kupa] Not at all. The directives have been issued so hastily that, in our opinion, it would be meaningless to criticize them. We will analyze the next government program.

A Service Economy

[Kocsi] External economic equilibrium developed favorably during the first months of this year. Is it possible that your prediction of a bright future for this country is being fulfilled?

[Kupa] That is not what I had in mind. I really do not know what the first half of this year was actually like. Our information system has collapsed like a house of cards. The results of foreign trade are now good. On the other hand, however, there are the high rate of inflation, the rising unemployment, and the struggling state budget. Those are not signs of an efficiently functioning economy. In the long run—here I have two or three years in mind—all this could stabilize. Provided...Hungary has a big advantage over the other countries of Eastern Europe: Here the institutions of a free market, regardless of what they are like, have nevertheless developed since 1968. We have a Law on Business Associations, [foreign] investment is protected, and the tax system is based on Western models. The foreigners coming here will find everything familiar. In principle, therefore, investing here should not pose any special problem for them. Provided there is political stability. Our agriculture is relatively developed, even though not very efficient. But it does provide a suitable basis for looking ahead. Thus we do have a foundation on which a network of financial services could be built. Ours should become a service economy, like Belgium's. This is the viewpoint from which I regard our prospects as good. Of course, legitimate but not really expert, power could easily wreck our prospects. But it might also realize them. There is still hope, in any event.

Indemnification of Former Property Owners Considered

25000780D Budapest *MAGYAR HIRLAP* in Hungarian
11 Aug 90 pp 1, 3

[Article by (papp, kocsi, n.lantos): "Views on Indemnification; Which Finger Should We Bite?"]

[Text] To indemnify previous owners? In yesterday's report we dared to present this information only if followed by a question mark. Today, however, we may state more firmly that experts are indeed dealing with this topic. According to the cabinet's view the details of a symbolic indemnification must be developed in the near future. The country may not be regarded as unified in regard to this topic, however. No common denominator has been found among either professionals or laymen. In the following report we are publishing a few of the opinions, to test the flavor. We will return to this subject regularly in the future. The issue at stake is of tremendous weight: according to some estimates, the country may be faced with 150,000 claims for indemnification worth between 300-400 billion forints, considering today's prices. And the fact that claims are not intended to be satisfied in cash, but by way of special securities issued by the state, serves as little consolation....

Gyorgy Suranyi, president of the Hungarian National Bank [MNB]:

An agreement was reached by the cabinet only in regard to the principle of indemnification, and not about the method by which this is to be implemented. According to preliminary concepts former owners would not be indemnified on a one-to-one basis, they would receive far less than the value of their former property, and even that would be given to them in the form of securities, or more appropriately vouchers which they could use to buy various securities. The owner will decide which securities to buy. According to the MNB president a securities transaction of this kind does not threaten the country's load-bearing capacity. On the other hand, in determining the extent of indemnification, one must consider the fact that state property must be reduced by the amount of vouchers issued, this deducted may be spent on paying off the state indebtedness of the country. In the final analysis this will appear as an increase in the interest payments to be made from budgeted funds. Accordingly, the essential issue is that the effort to reduce the state's indebtedness should take second place to indemnification. Due to the close relationship between indebtedness and indemnification, this also influences the pace at which the country's external indebtedness may be reduced.

Laszlo Lengyel, member of the Committee on Property that works alongside the economic cabinet:

I disagree with any kind of indemnification based on two reasons. I disagree on the one hand because indemnification can take place only to the detriment of the majority, while on the other hand we simply having nothing to use for indemnification. Let us consider the fact that 40 years have passed. An awful lot of good and bad things have happened in this country. Those who live today are not the ones who have taken everything away from people in the past. Let us consider the fact that indemnification may take place only if state property is burdened. They are taking away [things] from us, not from Matyas Rakosi. And the effective date of indemnification is not clear either. Why 1947 exactly?! Another date will occur to someone else, will that be the new starting point?! One has to be careful about indemnification. During the past 40 years everyone has been offended one way or another. Everyone may demand indemnification. Some may do so because they took away something from them, others because the past system did not enable them to make some investment, and thus they suffered significant loss. But as long as the cabinet is forcing the issue of indemnification, it should accomplish this by giving away land reserves, say one hectare to each claimant. These lands are not in use today...at least part of them would be used once again.... Otherwise, it is my view that we should drop the entire matter of indemnification. We should not create a political issue out of everything. There are no resources which could resolve this difficult issue, the cabinet may only discredit itself and the populace may become outraged. Some because they expected more, others because they are offended by the fact that based on the past some people find themselves in advantageous situations....

Janos Kis (Alliance of Free Democrats—SZDSZ):

In principle we agree with indemnification, but much depends on the conditions perceived by the cabinet. Incidentally, in our view a similar method should be used also in regard to land, and actual return [of land] should take place only if the owner agrees to cultivate the land. An unconstitutional law will have been created unless this viewpoint prevails within the land law. What legal argument is there to support a difference between land property and housing property? If I had been the owner of housing in earlier days—and I was not an owner now—I would challenge the land law instantly before the Constitutional Court so that they will discontinue this kind of discrimination, and will extend the provisions of the land law to provide an opportunity for the return of all property. This is absurd! Otherwise, in regard to any kind of indemnification the devil is hidden in the details. The magnitude of indemnification they have in mind does make a difference. Indemnification could be symbolic, or it could take place at full value. Most certainly, in making a decision, the issue of how much the performance capacity of the economy will tolerate must be examined. This matter has primary importance from a political standpoint, although from the standpoint of a family that was well off in the past,

and may be in misery at present, even a symbolic solution would make a very large economic difference.

Dr. Laszlo Arva (Hungarian Democratic Forum—MDF):

The MDF position is to not support any return of property as part of a campaign to return property—except for land. The MDF finds conceivable the indemnification of owners in the form of the issuance of state bonds and treasury notes, not at a 100 percent level, but at a [total] value depending on the country's load-bearing capacity. Just how large is the country's load-bearing capacity as viewed from this standpoint? According to MDF economic expert Dr. Laszlo Arva, it is as big as we say it is, except for the fact that certain people may suffer as a result. Indemnification represents the regrouping of income. This, on the other hand, constitutes a political issue, and therefore an economic expert has no authority to speak on this issue. "Personally, I would like to see as much money as possible spent on starting small entrepreneurial ventures capable of functioning. This is one reason why I agreed to organize the office for small entrepreneurs. There also exist considerations of fairness of course, these support the idea of indemnification. But economists do not favor such considerations because fairness does not generate economic growth. It would be nice if someone could obtain money because they took away a factory from his uncle, but there is only a small likelihood that he will use that money for production. The situation is that only one thing can be done with socialism: it should not be started. By now the only question is: which finger of ours we will bite, should justice or the economy suffer a greater infringement?"

POLAND

POLITYKA Weekly News Roundup

90EP0779B Warsaw *POLITYKA* in Polish No 28,
14 Jul 90 pp 2-3

[Excerpts]

National News

Premier Tadeusz Mazowiecki announced an expose in the Sejm and presented proposed changes in the composition of the government to the Sejm. The following tendered their resignations from their posts: Deputy Premier and Minister of Agriculture Czeslaw Janicki; Deputy Premier and Minister of Internal Affairs Czeslaw Kiszczak; and Minister of National Defense Gen. Florian Siwicki. The following announced their readiness to resign from the government: Minister of Communications Marek Kucharski and Minister of Transportation Adam Wieladek. The premier proposed Artur Balazs as minister of agriculture, Deputy Admiral Piotr Kolodziejczyk as minister of national defense, Krzysztof Kozlowski as minister of internal affairs, and

Ewaryst Waligorski as minister of transport. The premier is to announce a candidate for minister of communications later. After a debate, the deputies accepted the candidacy of Kozlowski, Kolodziejczyk, and Waligorski; they did not accept the candidacy of Balazs (136 votes for, 149 against, 31 abstentions) or the removal of Kucharski.

At the invitation of Bishop Bronislaw Dabrowski a meeting between Premier T. Mazowiecki and L. Walesa was held. Asked at the Gdansk shipyard about the course of the discussion L. Walesa declined to comment.

At the Gdansk Shipyard, there was a meeting of Solidarity activists with L. Walesa and with representatives of the Sejm and Senate this past Saturday. T. Mazowiecki, invited to the meeting, did not attend. The head of Solidarity in his speech sharply attacked the government and parliament of lack of contact with the problems tormenting the nation. "One breath from the miners or steel workers blew all of your laws into the wastebasket."

Solidarity '80 called for a meeting of the presidium with L. Walesa. As Marian Jurczyk announced, Walesa proposed such a meeting on 24 July 1990 without giving details of the subject of the talks.

Franz Vranitzky, chancellor of Austria and chairman of the Socialist Party, paid a visit to Poland. He told a journalist for TRYBUNA: "During the second half of 1990 representatives of the leadership of my party will initiate closer contacts with representatives of Polish Social Democracy and will begin developing a program of broad, comprehensive cooperation."

The Senate condemned the acts of the Albanian state authorities and security services which led to bloodshed. The Senate expressed approval of the Polish embassy giving asylum to several dozen refugees. (As ZYCIE WARSZAWY reported the resolution said "expresses admiration," but Krzysztof Kozlowski noted that admiration for Ambassador Ciaston would be a slight exaggeration if one remembers that Gen. Ciaston was Deputy Minister of Internal Affairs, K. Kozlowski has just become minister of internal affairs.)

Krzysztof Krol, editor in chief of the Confederation for an Independent Poland (KPN) weekly OPINIA, has revealed intelligence documents which show that the relevant services investigated representatives of the current governing forces. In conjunction with the revelation, a communique was published by the press spokesman of the president that accusations that President W. Jaruzelski ordered the intelligence services to investigate the government are an "obvious lie void of all logic." The Ministry of Internal Affairs also issued a communique: "If it is confirmed that the information is authentic and was developed by the intelligence services, the minister of internal affairs will ask the General Prosecutor to initiate an investigation." One of the texts published by OPINIA reports that "in the judgment of the Catholic groups the actions of the so-called Workers' Defense Committee leftists can become a serious danger

for the government of Tadeusz Mazowiecki." GAZETA WYBORCZA comments: "We will publish this text due to its humorous qualities in its entirety in tomorrow's issue." [passage omitted]

A correction from the Ministry of National Defense: in conjunction with a note in EXPRESS WIECZORNY and KULISY, a declaration was published stating that "the Polish Army did not train and is not training terrorists. This applies both to Polish citizens and foreigners."

Prices. Postal rates: an intercity letter, 700 zloty instead of 350; a postcard, 500 zloty instead of 250. Hotels: at the Warsaw Victoria, a suite, 6.453 million zloty (previously for Poles 680,000 zloty); a single room, 1.455 million zloty (previously, 160,000 zloty); a double room, 1.688 million zloty; at the Krakow Forum, dollar prices for a single room \$205; for a double room, \$125 [as given]. At the Katowice Warszawa, a single room, 700,000 zloty; a double room, 900,000 zloty (previously 80,000 zloty). Dollar prices at the Marriot in Warsaw, a suite, \$235; a single room, \$165; a double room, \$185. The price of a Lada [Soviet-built FIAT] at Polmot is \$5,790 (previously \$4,990); of a Fiat Uno Sting, \$6,870 (\$6,260). In RZECZPOSPOLITA, Director M. Zacharski of Pewex explained that given the new tax, the price of Smirnoff vodka should be \$82 a bottle; of an average whisky, \$30; of a better cognac, \$400. "We have decided as a result, for the time being, to raise the average price of the alcohols in stock by 10 percent and sell what we have and then to resign from further imports." A three-day school trip to Legoland organized by Elementary School No. 330 in the Warsaw Ursynow district cost about 1 million zloty and \$150 per pupil; it was not required.

Declines in consumption during the first quarter of 1990 in comparison with the first quarter of 1989 as 100 (a report in TRYBUNA): cured meats, 80.5; poultry, 80; cheese, 79.7; cottage cheese, 80.4; butter, 95.1; baked goods, 80.3; alcoholic beverages, 63.3; tea, 45.9; and natural coffee, 39.9.

Average wages in June were (without profit sharing) 846,695 zloty. They were 5.6 percent higher than in May.

Appanage. The Slupsk City Council decided that the president and council chairman will receive a salary of 3 million zloty; the deputy presidents 2.5 million; and the average wage in the city hall is 600,000 zloty. The council members delegated to the Self-Government Sejmik in Warsaw will receive expense money of 200,000 zloty; members of the presidium 500,000 zloty (nine individuals); and the deputy chairman, 700,000 zloty monthly. [passage omitted]

The chairman of the commission charged with liquidating the "Prasa-Ksiazka-Ruch" Workers' Cooperative Publishing House has removed Andrzej Urbanczyk as editor in chief of GAZETA KRAKOWSKA and named Tadeusz Pikulicki to replace him. Pikulicki worked in the editorial offices prior to 13 December 1981 and

recently has been deputy head of the television news program "Wiadomosci"; Leslaw Maleszka, a journalist from GAZETA WYBORCZA, is his deputy at GAZETA KRAKOWSKA. The Voivodship Council of the Social Democracy of the Polish Republic (SdRP) protested the decision: "In fact the take over of GAZETA KRAKOWSKA by the governing camp denotes the formation in Krakow of a complete monopoly on information and is an attempt to close the mouths of people who think differently." The Krakow journal KUZNICA also protested the removal of Urbanczyk. [passage omitted]

Opinions

Zbigniew Bujak:

(Interviewed by Mariusz Urbanek, Odra No. 6, June 1990)

[Question] The divisions in Poland no longer depend on the split between Solidarity and the Reds, because there are no Reds. But is a division into left and right each of which is supposed to include people from both the former opposition and the former regime correct?

[Answer] The attempt to evoke the 19th-century spirit of a right and a left has little in common with daily life. Those who are attempting to divide people according to these criteria must in the end fall into schizophrenia. It suffices to look around: Bronek Geremek, Adam Michnik, Jacek Kuron, usually identified with the left, are the most important supporters of Balcerowicz's program, which is certainly not leftist.

[Question] You think that there is no such place for such a division?

[Answer] I think that there is, but it takes time for the ideas of left and right to arouse themselves from the plethora of primitive encrustations, to take on a civilized character, and to be able to rise to a genuine confrontation.

[passage omitted]

Zdzislaw Najder, chairman of the Citizen Committee under Lech Walesa:

(Interviewed by A. Halicki and S. Marody, KONFRONTACJE No. 5, May 1990)

[Answer] Michnik claims that Poland is most threatened by rampant nationalism. The general tone of the writing in GAZETA WYBORCZA shows that everyone who is not "with us," does not accept the formula of a unified citizens movement, based on a narrowly understood "ethos of Solidarity," is a rightist. The right portends an explosion of chauvinism. That, in my opinion, is a false diagnosis. Chauvinism does not threaten us; in Poland, symptoms of nationalism or even racism are marginal phenomena. And we cannot throw everyone into the same sack. In Poland, surprisingly, those called leftists are less pluralist than those who declare themselves to be

of the right or center. Previously, it was different: the left was for expanding its political alliances and opted for pluralism.

Leszek Moczulski, chairman of the Confederation for an Independent Poland (KPN):

(From a comment during a meeting at the Voivodship Office in Suwalki, KRAJOBRAZY 3 June 1990)

"We are a center-right group. On the extreme right and left, irresponsible elements are speaking up. The disturbances in Warsaw took place during the so-called Congress of the Polish Right. Strange parties met there and adopted even stranger resolutions. Among other things, they reached the conclusion that the Soviet army is very necessary in Poland. In that case it was a Congress of the Polish Targowa."

Politics and Customs

Dr. Lech Kaczynski, senator and deputy chairman of the National Commission of NSZZ [Independent Self-Governing Trade Union] Solidarity revealed who thought up the Center Accord: "My brother and I thought of the idea together two years ago, foreseeing how things would develop in the then opposition group. But Jaroslaw Kaczynski and a group of other individuals, including among others Przemyslaw Hniedziewicz and Maciej Zalewski, formed the Accord. I do not want to take my brother's success away from him. [passage omitted]

GLOS, the journal of the residents of Warmia and Mazury, notes the comments of Dr. Andrzej Malanowski, secretary of the Main Council of the Polish Socialist Party (PPS), among other things, "about his colleagues": "It is sad that the people who came from the left, for example, Kuron or Michnik, are now covering over their past with their tails. They are pretending that the left does not exist. The right has grabbed them by the throat. And we told them, "Come to us, take posts!" They did not want to." [passage omitted]

The Orbis Travel Agency is offering trips to the Republic of South Africa. The itinerary includes "bloodless safaris, Zulu dances, and gold and diamond mines."

The national weekly OJCZYNA has made another attempt to define Pole: "A Pole is someone who lives between the Odra and the Bug, who carries in his pocket a passport (identity card) with the entry: citizenship, Polish. A Pole is someone who wears his Polishness in his heart, who is a frank, intense patriot (not a cosmopolitan!) and whose only passport to date is Polishness, and for him the word Fatherland is not just an empty sound, but taken alive from the speeches of the "fathers of the nation" and anniversary poems, declaimed "to the honor of" at various ceremonies!"

MLODA POLSKA has learned what Stefan Olszowski is doing now: "Our unofficial, but well-informed sources report that Comrade Stefan Olszowski, the former

member of the Politburo of the PZPR [Polish United Workers Party] Central Committee (and former unofficial candidate for First Secretary of the PZPR Central Committee), is living in New York and recently opened a consulting firm. Thanks to his extensive contacts in the world of Polish business, Comrade Olszowski is making profitable contracts possible for American corporations. [passage omitted]

The weekly WPROST reports that the slogan, "undoubtedly insulting for the leader of the Union for Real Politics (UPR)," "Mein Fuhrer Korwin-Mikke" has appeared on a house in Poznan.

Ryszard Bender, Zygmunt Drozdek, Walerian Piotrowski, Jerzy Skwara, and Janusz Zablocki sent an open letter to Wladyslaw Sila-Nowicki in conjunction with his comment in an interview for KONFRONTACJE ("Walesa's accession to the presidency would be dangerous for him and not just for him"). "We declare that is exclusively your personal view and not the view of the members of the Christian-Democratic Labor Party (SP), who were not asked for their opinion in this matter. We regard the view expressed by you to be a mistake."

In Moscow, Roberto Napoleone, the communist publisher from Italy, who is known for his initiative to purchase the Lenin monument from Nowa Huta, proposed forming an International Fund to Save Lenin Monuments. "Many people around the world think that Lenin is an outstanding figure in history," Napoleone told a journalist for VECHERNAYA MOSKVA, "and what happened in Krakow is a sacrilege." [passage omitted]

The Workers Council of the Organika-Zachem Chemical Plants in Bydgoszcz has asked the Voivodship Office of Internal Affairs to give them the names of the functionaries of the Security Service, who "supervised the enterprise and the confidence men, agents, and stooges, recruited among the workers at the Plants, the PZPR Factory Committee, and other organizations." The addressees responded that "they performed and are performing tasks to protect the national economy and other goods protected by law." They demanded a retraction of the accusations and an apology.

In Wroclaw, the Intercity Organization of Monarchists, which aims to overthrow the leftist authorities and supports an absolute monarchy, has been formed. "If you want to have true freedom and a king, then begin to work for the reconstruction of a normal, strong Poland," said Adrian Nikiel, the Great Master of the Intercity Organization of Monarchists (MOM).

Jerzy Urban, visiting Rzeszow at the invitation of the Social Democracy of the Polish Republic (SdRP), betrayed his plans for the immediate future: beginning in September, he will publish an illustrated satirical political weekly; he is also preparing a book of portraits of politicians for publication.

USSR Ambassador to Poland on Border Crossings, Oil, Security*90EP0818A Wroclaw SLOWO POLSKIE in Polish
7 Aug 90 p 4*

[Interview with Yuri Kashlev, USSR ambassador to Poland, by Jolanta Micel and Kazimierz Pytko; place and date not given: "Border Crossings, Oil, Security: You Need Not Fear Us"]

[Text] [SLOWO POLSKIE] Mr. Ambassador, shortly after your arrival in Warsaw you said that "Today Poland is country number one for the USSR." Obviously, you said that out of courtesy, since it is difficult to compare Poland's significance in Soviet policy with the importance of the United States or Germany. What is Poland's real significance for the USSR today—is it a source of problems or a bridge to Europe?

[Kashlev] Let me tell you why I said you were number one. When Minister Shevardnadze summoned me, on behalf of the Soviet government, and proposed that I take the Polish post on behalf of the Soviet government, I was utterly astonished. All my life I had dealt with the West, the CSCE [Conference on Security and Cooperation in Europe] process. I mastered English and German. Why, all of a sudden, was I then being sent to Poland? But Shevardnadze began to explain that the decision had been made to change the ambassadors in all of the East-Central European countries. Until now, he said, state or party functionaries who had caused internal destruction in the USSR had been sent away to these countries, but now they were being replaced by professional diplomats. Professionals were indispensable since the capitals of this region had begun to play a very important role in European politics. Shevardnadze said that, viewed from this perspective, Poland constituted country number one for us.

[SLOWO POLSKIE] What about the GDR?

[Kashlev] The GDR was our most important trading partner and it also had political importance, since more than 300,000 Soviet soldiers were stationed on its territory. But now, said Shevardnadze, the situation with the GDR was an obviously altogether new reality. He had in mind, of course, the unification of the Germanies. The departure of the GDR from our camp made Poland the most important of the countries to the west of us. Poland's significance also emanated from the fact that it had begun the process of returning to parliamentary democracy sooner than the other countries, that it was a pioneer of change in many respects. We were also linked together as fellow Slavs, by traditional cultural links and the like. I do not believe that the minister said all this merely to persuade me to take the post. Besides, I did not refuse the position because it is a tremendous honor for a Soviet diplomat to be the ambassador to Poland. Obviously, Poland is not our number one partner in every respect; the United States is number one as far as the disarmament process is concerned and the Germans, who have absorbed the GDR, are number one in the

economic sense. But Poland is, after all, number two economically. Last year our trade exchanges reached 13.5 billion rubles. And we will do everything possible to ensure that this level does not drop with the shift to the foreign-exchange clearing of accounts that begins with the new year. Add to this our cultural and scientific cooperation and our border contacts, and it is evident that Poland is our number one partner.

[SLOWO POLSKIE] You speak of contacts between peoples, and memories of border crossings at Terespol and Medyka flash across our minds. The two to three days of waiting for customs-passport clearances seem like stories coming from a different historical period. How can these stories be squared with your president's express announcement of a common European house? What kind of house is it that cannot be entered?

[Kashlev] I was speaking on that very subject just before our meeting. What is happening at the East European borders—and not only the Polish-USSR border—is a nightmare. A sort of trade war has begun, and it should not have been allowed to start. Millions of people are being embroiled in it. As boundaries are disappearing in the West, the exact opposite is happening here. The cause of this is economics, the differences in prices. In Poland, the reforms have already made possible the development of initiative among people, and people are themselves making decisions to go abroad—buyers and sellers of a given commodity at a given price. In the Soviet Union, prices are controlled by the state; consequently, food items are cheaper there. How do you persuade people from Terespol not to go shopping in Brest if a kilogram of sugar in Brest costs 90 kopecks, while it costs 5,000 zlotys in Terespol? I do not mean to say that it is only the Poles who are trading. I go to the markets in Warsaw and I admit that I never saw such enormous amounts of caviar for sale in the Soviet Union.

[SLOWO POLSKIE] But the Soviet government took the easiest course; it closed the borders for its own citizens. Will this solve the economic problems, will it eliminate absurd price ratios?

[Kashlev] At a request from residents of border regions, Premier Ryzhkov issued a decision restricting the movement of our "merchants." These residents now have some autonomy, and they themselves also make decisions; for example, Lvov introduced its own solutions. I do hope, however, that the latest government decree (the text of which I have not yet seen) concerns Soviet citizens exclusively.

[SLOWO POLSKIE] As a representative not only of the state but also of its citizens, what have you done for them to shorten the murderously slow process of border crossing?

[Kashlev] I sent out my people to Medyka and I myself phoned the border crossing areas. For a period of several days I seemed to have solved the problem. What happened? I sent a telegram to our authorities. When I

turned on the television, I did not believe my eyes. They showed a border point on our side and there was not a single automobile there. Then I found out that an additional 150 customs officials had been sent there. They were drawn from any available place, from the airports in Moscow and from other crossings. Temporarily this helped, but things quickly reverted to their usual state. Our people do not understand the political damage they do by their actions. This is contrary to the principles of the CSCE and the principles upon which Polish-Soviet relations are supposed to be based. Our embassy will fight relentlessly to eliminate the barriers which restrict contacts among peoples. But there is a problem due to the differences in living standards and the different rates at which countries are approaching a free market economy. This problem will not disappear for a long time.

[SLOWO POLSKIE] That is a sad assessment. But the border crossings are not the only reason to be sad. Even during the Brezhnev period, the Poles were less afraid of tanks than of the possibility that "you will shut off the oil pipeline to us." Today that fear is becoming a fact. It is rumored that the reduction in crude deliveries is a sort of punishment for events in Central Europe.

[Kashlev] No, no! I reject such views out of hand, nor shall I ever concur with them. The line of Gorbachev, which establishes the full recognition of the rights of the peoples of Eastern Europe to choose their own road, has prevailed. You want capitalism—fine, you want the Swedish type of democracy (so do we, by the way)—no problem.

[SLOWO POLSKIE] But it is hard to believe that the reduced deliveries are, as Premier Ryzhkov claims, the side effect of the greater needs of Soviet agriculture.

[Kashlev] They are the result of a combination of events in the economic and ethnic spheres. Strikes, the crisis in industry and the bureaucratic pressure preventing enterprises from having real autonomy—this is one side of the coin. The other side is the nationalities problem. Incidentally, nowhere in our press have I seen an analysis on the subject of a connection between the ethnic conflicts and the extraction of raw materials. Yet, after all, Azerbaijan is synonymous with oil and Kirghizia has major deposits of natural gas. What is happening in these republics must have an impact on the level of production. Add to this the continual losses on the railroads, the failure of enterprises to fulfill their obligations (according to the information I have, some plants are not fulfilling even 30 percent of the plan). Thus, the situation is becoming dangerous. In Poland we spoke on this subject with Minister Swiecicki and with several other members of the government. Then we informed our government of the potential dangers for Polish industry, and we requested the largest possible deliveries. The USSR government responds that this is just a temporary situation.

[SLOWO POLSKIE] For several centuries, the Poles have looked warily upon any rapprochement between

Russia and Germany. Four times such rapprochement ended in partitions. Seeing that the Russians and the Germans are again getting on splendidly, should we already begin to be afraid?

[Kashlev] Yes, four times the approach was wrong. This applies to Russia and to Germany, but also to Poland, which, having lost the ability to defend its national interests, did not behave in the best fashion either. Thus, all three were at fault. But I think that the present situation differs from the situation during the time of the partitions. Obviously, a very strong Soviet Union exists now. In my opinion, the talk that its role as a world power is declining is nonsense. Even the most important agreements and talks will not destroy that which determines the might of a world power—armaments. And the USSR's arsenals remain hardly touched; what has been destroyed is less than a fraction of a percentage point. Thus, to the east you have a neighbor who is a superpower and produces 10 percent of worldwide industrial production and half of the arms production. In the west are the Germans—also a superpower, second in Europe only to us. Thus, the aim of the Poles to have two good neighbors is a nearly unattainable, difficult task. But today you are in a very favorable situation. This time the scenario is not being played out in the triangle of Germany-Poland-Russia. The problem does not reduce itself merely to the fact that a new, strong Germany is arising. The structure of European security and cooperation is also changing. Military blocs will gradually disappear, our Warsaw Pact will go more rapidly, and NATO—more slowly. They will be replaced by an all-European structure composed of political, economic, and military interests so interwoven that aggression will become something hard to imagine.

Center Accord Offers Corrective Economic Program

90EP0823A Warsaw *TYGODNIK SOLIDARNOSC*
in Polish No 28, 13 Jul 90 p 4

[Article by Marcin Oblicki: "Economic Acceleration"]

[Text] There are two ways of correcting the government's economic program. The correction could consist of relaxing the severity of monetary policy in the hope of thereby revitalizing an economy being strangled by recession. There are many arguments saying that this would be a road to nowhere and that even if some sort of success could be achieved, it would be only random and temporary. Therefore, it is becoming more and more obvious that the program correction which is necessary must consist not of denying the previous monetary policy but of creating a basis for what has already been achieved, a clear scenario for shifting to a capitalist economy.

This is just the direction of the program proposals of the Center Accord, the suggestions of liberal groups, and the opinions of economic activists in the Confederation of

Polish Employers. The proposed correction is based on several fundamental premises.

1. The program carried out up until now was necessary and optimal. Its main achievement was the correction of economic conditions under which independent economic objects (balanced market) and instruments can come into being to permit normal operations (stable, convertible money, realistic prices).

2. The half-year period of program implementation has shown beyond all doubt, however, that the mere creation of this market design is inadequate for the economy to begin to operate effectively. On the contrary, we have been observing recession and passivity, which cannot be explained away simply by the barrier of the demand for many goods and services. The causes run deeper. Poland's situation is not that of countries which, with the help of similarly severe monetary programs, have reformed an economy which is indeed poor but is nonetheless capitalist. We are reforming structures we have inherited from communism. This is being done by a society which has been raised and trained under communism but has none of the practical habits of active engagement. Given the conditions of a design which would begin to operate on its own in other places, it lacks vital, social content and runs at idle.

3. The program correction must embody a transition to building the static elements of a market economy (legal infrastructure, economic instruments) to create active economic subjects. Up to the present time, the government has created conditions for removing the government from the economy. Now, according to Andrzej Machalski's picturesque description, it must "shove it" into the hands of society. This shoving will require great effort from the government, and, unlike that during the first period, this time the effort will not be intellectual but will be related largely to decisionmaking. The government is going to have to make a great many decisions concerning the restructuring of the economy, and the sooner it realizes this fact the better. In Poland the government has ruined the private economy. Therefore, no longer using communist ideology, the government must now build it up again, infusing it with funds acquired from the socialized sector and foreign loans.

4. The economy cannot operate effectively until the new structures include a clearly defined owner and a clearly defined manager. It is only these two social groups that are able to make proper use of the economic instruments, because they are the only ones with the ability and desire to play the market game for maximum profit. It is therefore absolutely essential to accomplish privatization as soon as possible, but it is equally important for previous owners of the means of production to begin to play an active part too. There should be no delusions. Even the most rapid privatization will not change the structure of ownership immediately. Government ownership will continue to dominate our economy for a long time.

5. Therefore the government must behave like an owner.

First of all, this means caring about efficiency, that is, doing away with everything which is conspicuously ineffective. The government must put an active bankruptcy system in motion and force its implementation with regard to institutions subordinate to the government (banks, founding bodies, government restructuring agencies, and so on). Today government action consists not of closing down enterprises but of passively waiting for them to become insolvent. This is not what an owner does. To keep firms going in the economy that are able to prolong their agony by obtaining preventive bank loans, living at the cost of suppliers, and selling off assets, despite the fact that they should not endure in operation, increases the economic and social costs of the reform.

Second, as owner, the government must assume the economic task of allocating assets, placing liquid assets and fixed capital where they can be best utilized. For an orthodox liberal, such a demand is close to heresy. It is true that it is not a good thing for the government to carry on economic activity, but it is even worse to have nobody doing it. There is, after all, a shortage of active owners of the means of production, and they take time to create.

Third, government enterprises must take on a transparent administrative structure, and the manager, who today represents the interests of the workers more than the interests of the firm, must become a real plenipotentiary of the owner. As owner, the government must involve itself in management and improve and bolster the qualifications of management personnel, rather than undermining the manager's position in the company. The nonexistent managerial class must be constituted as soon as possible. It would be hard to count on having a natural process operate here, without the necessary external input.

Fourth, it is essential to make the budgetary sphere more effective. Balcerowicz's program centers on the production sphere, but there are no efforts to restructure the budgetary sphere. It is not enough for the government to simply cut expenditures in an inconsistent manner without any prevailing strategy. What we need is a program which is dynamic rather than static, along with gradual commercialization, organizational changes, removal of the impediments blocking important untapped reserves which are unquestionably present in the budget sphere, and the shifting of freed reserves to the economy. (A characteristic example of the ineffectiveness which pervades the economy is the absurdly high, unprecedented 45-percent social security payroll deduction.)

Fifth, the government must be involved in transforming the banking system. This is one of the most important tasks of economic policy. It must receive major government attention, because the banking system is not merely one of the economy's many parts. It is its nerve center. Therefore, if it is made more effective, the whole economy will be thereby improved.

Sixth, the government must make the government administration work better. Procedures must be simplified. Old, inefficient staff must be replaced. There must be sanctions for delays in issuing decisions. The administrative machinery requires discipline and must begin to operate like the administration of a capitalist firm and not a corrupt communist bureaucracy.

6. It seems essential to undertake all these efforts, so that the Polish economy will not be bogged down in the unproductive transition from socialism to capitalism. We must speed up the evolution toward a capitalist economy, but this does not seem possible without dynamic, energetic government involvement in the existing economic structures.

Fikus on RZECZPOSPOLITA, Media, Solidarity Split

90EP0837A Poznan WPROST in Polish No 28,
15 Jul 90 pp 5-6

[Interview with Dariusz Fikus, editor in chief of RZECZPOSPOLITA and director of Rzeczpospolita State Publishing Enterprise, by Piotr Gabryel; place and date not given: "Foksal '90"]

[Text] [Gabryel] How does one become the head of the Rzeczpospolita firm?

[Fikus] First of all, one must be appointed.

[Gabryel] And before the "first of all," does one have to know the premier?

[Fikus] Just knowing him is not enough, and perhaps it is not even necessary. For, at any rate, the premier gathers evaluations about anyone whom he is considering for appointment to an announced position.

[Gabryel] Who, for example, might have given him information about you?

[Fikus] Tadeusz Mazowiecki is himself a journalist. Hence, he is acquainted with journalistic milieus and knows my book, "Foksal '81". During the 1980's, and even earlier, we had numerous contacts with each other. And who could have evaluated me as a job candidate? Maybe Waldemar Kuczynski, Jacek Wozniakowski or Krzysztof Kozlowski? Or maybe all of them.

[Gabryel] Rarely does any government, much less the government of a developed country, have at its disposal its own press organ.

[Fikus] That's right. The operation I run is a little odd. But the structure of the press is also different in Poland from that in other countries. Thus, as long as the transitional period in the journalistic sphere lasts, the publication of Rzeczpospolita makes sense just as long as we do not operate as my predecessors did. Besides, the premier himself told me right from the beginning to drop from the statement of editorial policy the formula stating that Rzeczpospolita is a government organ.

[Gabryel] And, by the same token, is the newspaper no longer a megaphone for the government?

[Fikus] That's right. At most, the newspaper is progovernment, favorable to the cabinet.

[Gabryel] How serious was the housecleaning you made after becoming the head of the organization?

[Fikus] I do not understand the sense in which you use the word "housecleaning." The entire leadership was changed, including the heads of sections, for political conditions had changed. That is how it is done all over the world. If you are asking about the philosophy behind the changes, then I must say that I am as far away from being a witchhunter as it is possible to be. I simply reviewed the list of fees paid out to various journalists with the aim of eliminating the least productive; I was not interested in party affiliation or other things. As a consequence of that review, out of the original total of 300, nearly 120 people lost their jobs. In their place, I hired 40-50 new people. Illustrative of my philosophy is the fact that, since I accepted my present position, the first editor in chief's award for best publication has gone to a woman journalist—the chairperson of the SDRP [Social Democrats of the Polish Republic] circle in our editorial offices...

[Gabryel] Judging from "Foksal '81", you do not have the highest opinion of journalists.

[Fikus] That's a fact.

[Gabryel] Are you an advocate of "committed" journalism or of professional journalism?

[Fikus] Absolutely of the journalism of the professional sort. Therefore, I am hopeful that good times are ahead for journalism. On the other hand, I must admit that I myself entered the profession at a time when "committed" journalism was particularly prized. I am still struggling with habits I carried over from that period.

[Gabryel] What about Polish journalism today? Is it bound to collapse—utterly and totally?

[Fikus] We are dealing with a profound crisis attributable to many factors. For one, the RSW ["Prasa-Ksiazka-Ruch" Worker's Cooperative Publishing House] press titan is collapsing. Second, in the course of less than a year, the cost of paper and printing has increased tenfold. Naturally, this has caused an increase in the price of a newspaper. If we add in the real decline in the value of people's income and the crisis of confidence in the RSW press, we get the full picture of the situation.

[Gabryel] It is easier to break the newspaper reading habit than to form it.

[Fikus] That's true. Right now 10 percent of Poles never read anything at all and 20 percent read very rarely...

[Gabryel] People watch the television news.

[Fikus] That's correct. Television is a potent competitor of the press, but also its ally. As a rule, people who carefully watch television news and information programs sooner or later feel the need to deepen the information that television has, of necessity, presented in an often superficial, summary fashion. Then such people usually reach for a newspaper or a book.

[Gabryel] A certain type of newspaper no longer has any usefulness.

[Fikus] Do you mean the party newspapers? You're right, of course. Their demise means an opportunity for local newspapers. These will not be large-circulation, superprofitable, intellectual, beautiful, and influential. But they will certainly find their readership and, at the same time, provide work for journalists plagued by unemployment. Then, too, the fate of newspapers with more than a local circulation is not sealed. GAZETA WYBORCZA, with a circulation of 350,000, is succeeding. In Katowice, TRYBUNA ROBOTNICZA has reached the 300,000 circulation mark. RZECZPOSPOLITA has a press run of 240,000 copies.

[Gabryel] What's next—with ZYCIE WARSZAWY, for example, or other post-RSW newspapers? Will they go bankrupt or will they survive by allying themselves with political parties or with capital?

[Fikus] Allying themselves with capital does not rule out allying themselves with political parties. But as far as parties are concerned, I'm not sure whether very many of them will be rich enough to publish their own daily newspapers. But perhaps some movements like the ecology movement might be able to do so.

[Gabryel] Let me change the subject. Did Dariusz Fikus, editor in chief of RZECZPOSPOLITA, go to Krakow to the meeting of intellectuals that was organized by Jerzy Turowicz because Fikus was concerned about his position or was it out of conviction? Or perhaps it was just a sign of extra devotion?

[Fikus] Let me start off by saying that I have my doubts about the wisdom of my going there and especially about having signed the communique issued at the conclusion of the meeting. Really, I went there—and I am being completely candid—because I was invited by Jerzy Turowicz, a person for whom I have enormous respect for more reasons than just his having allowed me to publish in the columns of TYGODNIK POWSZECHNY on a no-questions-asked basis. I value Jerzy Turowicz highly for his ability to create an excellent atmosphere at his newspaper and I value highly TYGODNIK POWSZECHNY, which I have followed closely for 30 years. Still, I repeat, maybe since I had already gone to Krakow for his sake, I did not need also to have signed the communique issued at the conclusion of the meeting.

[Gabryel] Is that because you do not believe in the correctness of the road chosen by the Mazowiecki government?

[Fikus] No. It is that even though I am aware of the inevitability of taking sides, I think that perhaps the time has not yet come for me to state what side of the barricade I am on.

[Gabryel] Is that temporizing?

[Fikus] Not at all. It is rather that, first of all, these diverse viewpoints have not crystallized very much. Second, a progovernment newspaper and, likewise, its editor, ought to strive to preserve moderation and objectivity as long as possible. Third, I still have hope (although less and less of it) that division is not immediately inevitable. In the general run, however, I have no illusions.

[Gabryel] Do you see something bad in divisions, pluralism and multiversity?

[Fikus] No. but it is bad when the various factions group themselves around personalities and not programs. This does not gain us allies at home or abroad.

[Gabryel] Why didn't you make connection with the Center Alliance?

[Fikus] I was not invited. Had I been invited I would probably have gone there, but I would not have signed, I think. They irritate me chiefly by their black/white way of reacting to the world and their obsessions. Jacek Maziarski, known for his strong commitment to the creation of the Center Alliance, is still my friend. But what he is doing now borders upon some kind of political deviation. I even called him so that I might hear something more about this magic "acceleration".

[Gabryel] And?... The Center Alliance has no program. But the Krakow initiative has none either.

[Fikus] That is exactly why I have my doubts about the wisdom of my having signed the communique. On the other hand, compared to Kaczynski's group, the group of people which met in Krakow is more to my liking...

[Gabryel] And how do you, as the editor in chief of a government publication...

[Fikus]...progovernment...

[Gabryel] Very well, a progovernment publication. How do you assess the chances for Mazowiecki's government?

[Fikus] The situation is unquestionably very difficult. I do not have as optimistic an opinion of it as Minister Niezabitowska does. But I tell you sincerely that Balcerowicz impresses me somehow. I am amazed at his consistency, although everything he does is not always right on target. On the other hand, in the present social situation, the only possible alternative to his program is populism and the immediate return of hyperinflation against the background of a production year that is lower than in December 1989.

[Gabryel] Balcerowicz, however, does not seem to notice that the patience of society has almost run out.

[Fikus] You are mistaken. Balcerowicz and the whole cabinet are aware of that fact. Essential corrective measures with respect to the program have already been introduced.

Father Jankowski on Walesa, Split, Recent Political Developments

90EP0796A Warsaw POLITYKA in Polish No 29,
21 Jul 90 pp 1, 5

[Interview with the Reverend Henryk Jankowski, parish priest at St. Bridget's Church in Gdansk, by Witold Pawlowski at the church; date not given: "I Will Not Be a Judas"]

[Text] [Pawlowski] Father, your parting of the ways with Lech Walesa would be one of the most sensational political separations of recent years. There have been many incomplete and unreliable reports to this effect. This is why I am asking a principal: What is the state of these affairs?

[Jankowski] There has been no separation. To be sure, what Walesa said a year ago—"Let Father Jankowski return to the altar, and us to our work; if things go badly, we will return"—gave rise to a wave of speculation about our parting of the ways. They began to put in our mouths various statements to the effect that we have parted ways. The issue of my signature under the letter of the 63 on the need to dissolve the Citizens Committee was added to this.

[Pawlowski] This is how you substantiated your decision to resign from the Citizens Committee: "While not identifying myself with either party in the conflict, but rather in protest against the use of the committee as a vehicle for political play."

[Jankowski] Yes. I am convinced that the committee should be dissolved as soon as possible. The [accomplishments of] the past cannot be wasted due to fighting for positions and government and ministerial posts. It is equally impermissible to use in the process language which is an insult to people who have fought together, and for this to be done by people with scientific qualifications, people in whom all of Poland has placed its trust. Our society is disheartened. It does not know what is going on. I regret that the scenes of this squabble could be allowed to appear in a TV program.

[Pawlowski] The squabbles came first, and the TV program came later; this is not the fault of television. Fine, there has been no parting of the ways. However, this Sunday (15 July) Walesa did not attend St. Bridget's Church once again. The commentaries I have heard were unequivocal.

[Jankowski] Lech is on vacation; besides, he has a broken arm.

[Pawlowski] In other words: absent for a good reason.

[Jankowski] We may put it that way. Besides, recently he has been more likely than not to spend Saturdays and Sundays in Warsaw.

[Pawlowski] Father, you have resigned from the Citizens Committee; Mr. Kurski does not want to be its spokesman anymore; many good friends have voiced open criticism and removed themselves. A kind of vacuum is emerging around Walesa. What would you say, father: How is he taking it?

[Jankowski] I would not agree with the statement on a vacuum around Walesa, though the fact that some of his friends do not understand him is beyond a doubt. He is aware of this. However, there also are those whose attitude toward Solidarity and Walesa was opportunistic. I respect Lech, and will [continue to] respect him. I will definitely not betray him, I will not be a Judas. I also respect his irresolution; I respect it because this is a human weakness. Everyone is entitled to it, everyone is entitled to make mistakes. I will remain faithful to him whether he wants it or not, faithful to the ideals of September and my guiding motto: TO BUILD RATHER THAN DESTROY.

[Pawlowski] We may say that you have been close friends for 10 years, and you have been his father-confessor. How did this begin? St. Bridget's has always been a church of shipyard workers.

[Jankowski] Such ties with the workers date back to the end of the last century. This has always been a workers' church. I took over the ruins of the church in 1970. Its rebuilding took 10 years. All of this time services were held right here on the anniversaries of December (I had many difficulties due to this; the SB [Security Service] came around and demanded lists of participants). This was also where various groups and circles operated to which workers learning the social teachings of the church belonged.

[Pawlowski] Later, came September.

[Jankowski] On the third day of the strike, when the communist authorities paid the money which the shipyard workers demanded, the strike was discontinued, and everybody went to the gates. This is when I met Lech Walesa for the first time in the shipyard compound, on the evening of 16 August. He asked me to take care of his family "because they will put us in the slammer today." He gave me his address. He said: "We have lost; perhaps, we will revisit the issue in a year or two." I answered: "If money is not your only concern, we will go on striking. The second shift will come, we will close the gates and wait until Monday." On the next day, Sunday, I came there to say mass. On the 60th anniversary of "the miracle on the Vistula" I mentioned "a miracle on the Baltic" in my sermon. This is how it began. Monday turned out to be a blessed day. The mighty enterprises of Szczecin and Gdynia joined the strike.

[Pawlowski] How many different Walesas have you come to know since? What was the crucial moment which shaped him?

[Jankowski] There is only one Walesa before my eyes! The one in September—a charismatic leader of workers, highly gifted and responsible. At present, he is an accomplished politician, a statesman whose opinion needs to be reckoned with whether someone likes it or not. Nobody is a saint; everyone has his own character traits. He turned out to be an unerring leader as far as loyalty to the ideals he has been fighting for, and loyalty to the goal set, is concerned. He has become a symbol. This is why at present I am so concerned about him not losing what he has gained.

[Pawlowski] Recently, a person from his entourage explained: "Lech is who he is."

[Jankowski] Perhaps, this is the best description.

[Pawlowski] What is Walesa's strongest point?

[Jankowski] Internal stubbornness. He is an uncompromising person. When he resolves something he sees it through to the end. He is tough.

[Pawlowski] What about weaknesses?

[Jankowski] He lacks certain organization and order, this is how I would put it. He changes his mind very quickly. He should monitor things once he dots his i's. Besides, he lacks an entire staff of associates who would work for Walesa and prepare a program for him, for a day or for a week. It is another matter whether he wants it this way.

[Pawlowski] In other words, persistent and not persistent at the same time?

[Jankowski] However, even if he goes through a moment of weakness and inconsistency, he later comes back and gets on his feet. This is good in his position, because not everyone could allow himself this. He, a worker and a leader, may.

[Pawlowski] Have you felt that you have a historic mission at Walesa's side?

[Jankowski] I ask myself very often: Why is it me exactly rather than someone else? This was influenced by circumstances, perhaps, contacts with the shipyard workers dating back to the 1960's, and in September—the feeling of responsibility for helping these people because they were fighting for a just cause proceeding from the social teachings of the church.

[Pawlowski] In the church circles, you have the reputation of a "law-abiding priest." What room for maneuver did this leave for you?

[Jankowski] I do not want to be perceived as a man who is waiting to be buttered up and and flattered. I try to always be authentic and readable. Whatever I do, I do out of conviction and the impulse of my heart. With

regard to the problem of the working people, I particularly tried not to make a mistake because I was aware that in this case I could harm the entire church. This required great caution and good words, but also not becoming involved in substantial matters because this is not my purview.

[Pawlowski] Did you have moments of doubt under martial law, and later, that this was the end of Solidarity, that it was inescapably relegated to the past?

[Jankowski] The answer may surprise you; I never had a shadow of a doubt. I saw that cracks in the system were irreversible, and that the day would come when the system would collapse. I did not assume it would be so soon. I thought it would be two or three years later. All this time, while considering the issue of my own safety, I believed that I should go as far as Our Lord would let me. I believe all of these issues—interrogations, the tragedy of my driver who perished with his daughter, kangaroo courts, threats, and a fire in the rectory in 1982—to be in the past; they should not in the least evoke a feeling of hatred in me. This is what I do not have at all. These are matters which are now bygone.

[Pawlowski] What do you think about Lech Walesa's entourage, or rather his various entourages from various periods? The common opinion is that those from his entourage dominate, that they manipulate Lech, that yet another Walesa is what his new advisers are.

[Jankowski] Only someone who does not know Lech may say this. Lech is his own player. He listens to everybody, but thinks his own thoughts, and later he does it his own way. Actually, he should do it this way; listen to various opinions and later digest them his own way. Yielding to advisers too much may bring about mistakes. It is so important to return to the source, to the basic question: What does he want to achieve? This makes it possible to make corrections.

[Pawlowski] What will Lech Walesa be in a year, five years, 10 years? You predicted somewhere that "he will either be president or an older gentleman in retirement wearing warm slippers and watching TV." Which of the variants appears to be more probable to you?

[Jankowski] This is a man who is physically tired and who is entitled to absolute rest. Politics, current affairs, and the germ of social action, the germ of leadership make it difficult for him to decide whether to rest or not.

[Pawlowski] Which decision will prevail?

[Jankowski] In my opinion, he will not rest because he is involved too much.

[Pawlowski] However, he also believes that he has been resting too long while his colleagues have gone to the Sejm and the government.

[Jankowski] Recently, he has been very much involved and nervous when something did not develop his way. He would feel very bad wearing warm slippers. He does

not want even more fame, he already has it. He has already gained everything, fame and respect. The slogan "president" has been put in his mouth. If he is to be president, he will be president anyway. These circumstances make his situation difficult. If I were asked today whether I would like to be president I would not respond publicly; even if this were not the case [the answer would be] why not. Everyone should have such ambitions. Lech still had time. There would have been time for everything, time for the election campaign....

[Pawlowski] It is already under way.

[Jankowski] It is not because there should be several candidates running alongside each other.

[Pawlowski] What is the essence of the current political dispute between Lech Walesa and Tadeusz Mazowiecki, between the center right and the center left to which nobody owns up, between the Walesa Center and the Krakow Alliance?

[Jankowski] Comrades in arms have forgotten what they have achieved, what they represent, and what they should represent in the future: the idea of building rather than squandering our accomplishments. The prime minister cannot listen in a servile manner to the views of the enterprise commissions of Solidarity, the OPZZ [All-Polish Trade Union Agreement], or some other parties. This is a government which should respect itself because if it loses its authority it will be the end.

[Pawlowski] The proponents of changes say that there may be a new government. Could it be that it will have even greater authority?

[Jankowski] Governments may change even as often as every month, but only when we attain complete political and economic stability. Meanwhile, we do not have anything, and we are fighting over a pig which is not even in the poke. The restructuring of the state institutions and the economic reform should be our general concept.

[Pawlowski] You have taken an unusually sharp stand on the divisions in the group currently in power. You said that "he who does not build bridges is not a real democrat" or even "a Christian politician." After all, divisions are normal in politics, and those who seek them make reasonable agreements to the effect that one monopoly on power has been replaced with another, one artificial monolith has been replaced with another. They say that the situation resembles that in a marriage. It is necessary to say words so sharp that this artificial creation can no longer be patched together again.

[Jankowski] Yes, saying one word would be enough for the entire marriage of a couple who have vowed lifetime faithfulness and responsibility for a family to each other, to come undone.

[Pawlowski] Lech Walesa and Tadeusz Mazowiecki did not swear loyalty to each other.

[Jankowski] There is a more profound problem here: People from the opposition who have come to power are now facing a completely different reality. It was easier to demand yesterday than it is to govern today. This entails great responsibility, including international responsibility. Lech in his capacity as a trade union leader may be unhappy with progress being too slow, as the farmers are. However, stable and responsible authority should be the supreme value. Now is not the time to fight, all the more so because our society is looking at this fighting with great puzzlement...

[Pawlowski] ...because they must answer whether they love their father or their mother more...

[Jankowski] ... and with disapproval. They say: What kind of authorities are these? If they are fighting up there at the top, what can happen at the bottom? They give it all up and remain on the sidelines.

[Pawlowski] You are the author of the sharpest review of the new Polish political class which I have encountered. You said: "You play out vulgar squabbles in front of the cameras, and in the lobby you plan blockades and ambushes for each other." "You fight to ensure the political position of groups, petty parties, salons, castles, and so on. Instead of inspiring the people and leading them ahead (...) many of you have displayed smallness." Are these words deserved and fair?

[Jankowski] I was prompted to make them by observing the lobby of our parliament. Some deputies engage in wholesale criticism, others promote themselves; the presentation of "no" programs, negative programs dominates frequently. There is no positive program. These words are a warning. Let us look at recent elections in Gdansk; local authorities should be elected efficiently and rapidly. Meanwhile, look at how many approaches, clashes, and squabbles there have been. What kind of an example does this set?

[Pawlowski] Could this be the price you pay for the birth of democracy?

[Jankowski] The people do not understand this. Many people have been turned off altogether. They have given up. There is nobody to fight with.

[Pawlowski] Therefore, they fight each other, among themselves. This is the next stage.

[Jankowski] We can treat ourselves to this once we have a strong Poland.

[Pawlowski] You have also leveled accusations against the OKP [Citizens Parliamentary Club] for not having "an ideological declaration or a sociopolitical program." You say that "the picture of a vacuum is replaced by general phrases about returning to Europe. To what Europe and at what price?" This is to say—what kind of a program should this one be?

[Jankowski] If I were a prophet I would answer this question. First, the objective is to have at least some

program which is readable and transparent, which would show what the OKP is fighting for and who it is supporting. I respect the OKP a lot, this is to say every person in particular but not as an institution.

[Pawlowski] Therefore, how will this ideal Polish social arena look?

[Jankowski] Time will tell us best. Any reasonable person knows that there cannot be an ideal political arena. The elite have died off, or remained in emigration after 1945. The segment which has survived has been frightened. Finally, some have been killed off by the leftists. It will take several years if not a dozen or so to create the Polish political arena in a traditional sense.

[Pawlowski] What view do you take of the small and disjointed movement of Christian parties? Why are they developing so slowly and without much enthusiasm?

[Jankowski] We, the Poles, have a sanguine disposition. We catch fire quickly, and burn out still faster. Look how many parties there have already been which ceased to exist after a short period of time. In the future, all of these minute parties will have to form federations and unite, which is not going to be easy because where there is a Pole there are two parties. Everyone has something to say. There was one slogan—independence for which the entire people fought. However, if I were to ask the KPN [Confederation for an Independent Poland] about the real program they have, it would turn out that it does not exist. It is another matter that sometimes people who have proven themselves in underground structures are no longer capable of being active at present, in normal life. Why is the Christian Democratic [Labor] Party weak? Is there another party which is strong? The emergence of a regular political arena will take some time.

[Pawlowski] In the Catholic community, the opinion exists that those who have come to power "by virtue of Catholic votes" are not defending the point of view of the church vigorously enough at present in matters such as, for example, religious instruction in schools or the issue of abortion.

[Jankowski] Let us put it this way: For all these years, an individual could be quietly idealistic and see no problem with religious instruction coming back to schools, because he did not dwell on the practical essence of this issue. Now he has to make such a decision himself by exercising power as a minister or a deputy. He asks himself: Will it not be to the detriment of others, of other denominations? Is religious instruction to be brought back to the schools? The answer is specific: The schools are the property of the people, and Catholics account for more than 90 percent of the Polish people. I do not believe that there will be intolerance and persecution due to the fact that some people take religious instruction and others do not. With all due respect for other denominations, religion in schools will restore the authority of educators, and in the future, that of power, because it forms the moral backbone of an individual. Let us stop

debating abortions, and take an interest in man. Perhaps, science has determined unequivocally that this is man. It is more convenient for some people to forget that this is man, they split hairs down the middle. If this is a person, then what is abortion? This is murder. Everyone defends himself against aggression, but how can this person do it?

[Pawlowski] Many warnings and statements against religious instruction being brought back to the schools are also heard from the community of believers.

[Jankowski] I am unambiguously in favor of it coming back.

[Pawlowski] The church has always played a special role in Poland as a guardian of values and a pillar of the Polish element. Do you get the impression that yet another, peculiar period, the decade of 1980's, is coming to an end along with a peculiar role of the church as a substitute value?

[Jankowski] No, the church has always given the people hope, and maintained morale in a fighting Poland. This is why this beautiful sign of the cross and the anchor will remain firmly attached in the soul of every Pole. Now the grain is being separated from the chaff, from those who have been coming to church as a demonstration only. I do not know what the situation is in other parishes; I have not felt an outflow of believers. The devastation which has been wrought in the souls of Poles in recent years sets great tasks for the church.

[Pawlowski] Let us discuss this devastation. Are your words about "a nation of sacrificing sons and mothers absorbed in prayer" not too idealistic, taking into account how superficially the teachings of the church are received and an avalanche of alcoholism, crime, and far-reaching sexual freedom?

[Jankowski] To fall is human, but it is likewise human to get up after falling and ask for forgiveness and for redressing the existing grievances. The church is supposed to help with it, and it does. If everyone on earth were to comply with the ten commandments, we would now have several billion saints. The army, prisons, and police would be unnecessary. Is such a situation possible? On the other hand, a person associated with the church acquires something like a screen which obscures his system of values. The economic situation and the fight for survival are such a screen. This has been programmed into the consciousness of the Poles due to the experience of both the war and the last several decades.

[Pawlowski] These attitudes are stable, despite the church taking a stand against them every Sunday. Do you perceive this is a loss for the church, and also a loss for the country?

[Jankowski] This is not a loss; this may be a great victory if we do not throw up our hands and begin to plough the fallow land. It is hard to refer to it as a loss because the

experience of the church goes back 2,000 years; meanwhile all systems rebelling against God have suffered defeats one by one. Everything goes away, but the values voiced by the church remain. Time straightens out certain issues.

[Pawlowski] The church and politics. You are not making a secret of your involvement on the cutting edge of politics. Moreover, politics is your element. How do you respond to those who say that there should be a marked distance between the church and everything that is current?

[Jankowski] As a priest, I cannot get involved in political life as far as holding state or parliamentary positions is concerned. This has to be done according to regulations. The image of John Paul II shows best how flexible the regulations may be, and how broadly social involvement by a priest may be interpreted. I believe that this is the result of one's calling.

[Pawlowski] In their turn, people who wish the church well say that current involvement may harm it, even the very frequent appearances by priests on TV—that it works against the interest of the church, that it is a kind of profanation.

[Jankowski] This is true; public life should not be clericalized.

[Pawlowski] However, this is exactly what is happening.

[Jankowski] The service stance of the church should prevail, even in all spheres into which the church is moving anew—the army, the police force, the prison system. All services of the military took part in the celebration of Corpus Christi in Gdansk. Older people were moved, but for the younger ones this could have been a shock.

[Pawlowski] A case was described whereby soldiers took communion collectively and on command in the course of such celebrations. This is a caricature.

[Jankowski] Indeed, in this matter complete freedom should be given.

[Pawlowski] You belong to the ZMP [Polish Youth Union] generation quite literally because reportedly you belonged to the ZMP and were active in Starogard Gdanski until you went to a seminary in 1956.

[Jankowski] No, it was exactly that I did not want to join the ZMP and was thrown out of school because of that. I had to go to an evening school and start working. The beginning was very unpleasant. I worked for the Treasury Administration, in the department of enforcement actions, where I encountered great wrongs and brutality, I believe that this impulse brought me to the seminary.

[Pawlowski] They are saying that you will become the chaplain of the Polish Armed Forces. You established your own prize at the Festival of Soldiers' Songs in Kolobrzeg. Why is this a new fascination of yours?

[Jankowski] This is not a new fascination; this has been a part of me for years. The army impressed me as a young man, when I was thinking about what to do with my life.

[Pawlowski] In other words, the continuation of dreams not realized in younger years?

[Jankowski] Exactly. I put on a different uniform, a cassock. This is a service uniform, a service for God and country.

[Pawlowski] What will now happen to the parish where we are at present, which is the best known in Central Europe, and maybe not only there, and which has hosted so many heads of governments and luminaries? Does this mean the decline of the parish of St. Bridget as a political institution?

[Jankowski] No, we have a lot yet to be done, though we feel that we are a small part of the history of this parish. There is no decline in the church, this is an unfortunate word.

[Pawlowski] Thank you for the interview.

Christian National Union Head on Unions, Political Concept of Right

90EP0825A Warsaw TYGODNIK ROLNIKOW
SOLIDARNOSC in Polish No 29, 22 Jul 90 p 11

[Interview with Dr. Wieslaw Chrzanowski, chairman of the Christian National Union, by Grzegorz Lys; place and date not given: "Taking Away Rights Is Not Permitted"]

[Text] [Lys] Throughout the entire postwar period the right was presented as a political evil. Right wing parties and concepts were called reactionary. What in reality is the right?

[Chrzanowski] In Poland, the "right" and "left" are, to a great extent, historical concepts. Also, I doubt if one can speak of the right as a single entity. However, it is worthwhile to attempt to answer the question: What are the differences between the right and left? The forces of the left wanted, in general, to create a better world by realizing some kind of preordained, allegedly rational political model. Thus, in constructing a paradise on Earth for future generations, they were inclined to overwhelm people with joy. The forces of the right, at least those close to me, have always recognized that social life develops in an evolutionary and "organic" way. Therefore, its laws should not be violated, and certain institutions are innate. The political concepts of the right are based on values of the family and nation. Of course, the family and nation changed, and are changing, in a fundamental way, but they are not artificially created entities. Private property rights and initiatives are also natural rights and can be taken away from

people only in a system based on coercion and constraint. No one can give these rights, they can only be taken away. And the right says that it is not permissible to take them away.

[Lys] What are the political goals of the right?

[Chrzanowski] The right is not aiming to build a perfect system. In light of Christian teaching, that is not possible because man cannot create the Kingdom of God on Earth. But we strive for a state in which a certain method would dominate in communal life by dint of appropriate political institutions that would reflect Christian ethical values and would facilitate for man a life in accordance with these ethical principals. In the language of social realism it was called the principle of social coexistence. We support natural development, which merely has to be modified. We believe that treating social life as a room in which one can place furniture anywhere leads to the worst results.

[Lys] Politically, it seems that the Christian National Union, a right wing party, maintains the same positions that were held historically by the National Party and the Labor Party.

[Chrzanowski] We go back to many political trends, including those that competed with one another in the past. We go back to the National Christian Democratic movement tradition, to portions of the independence movement associated with Marshal Pilsudski, and to the wing of the peasant movement centered about Wincenty Witos. We have no pretensions, and we do not consider ourselves the heirs of those trends. However, we believe that outstanding people, ideas, and achievements belong to everyone. It is not a question of competition. In my own family there are links to Witos; in 1920 my father was the minister of defense in Witos' government.

[Lys] Is the Union more Christian or more national?

[Chrzanowski] We do not oppose these two concepts. To repeat what Primate Wyszynski said, it cannot be a matter of indifference to us that our nation has been Christian for over 1,000 years. The Christian element is strongly inculcated in our culture. In Catholic ethics there is something that at times is forgotten: *ordo caritatis*, that is, order of love. This requires that one should love one's neighbor as oneself. It also means that one's primary obligation should be concern about one's loved ones, the family, because one has been born in a specific place and time. Then one should be concerned about the natural environment in which one lives, and then about the nation. John Paul II said that a nation reflects its culture. Culture is understood to be the peaks and artistic achievements as well as the level of ethics and mutual relations among people. As confirmed by numerous studies and thinkers, man continues to be completely rooted in national culture.

[Lys] The activities of the right in Poland are not always associated with success. Here I have in mind the radical national groups of the interwar period.

[Chrzanowski] From a world perspective, what Marxism called the right very often was not the right. Italian fascism grew out of anarchosindicalism. Nazism also did not arise from right wing circles. Examples of totalitarian government organizations are usually sought in the USSR, and among the left, if we continue with this "left-right" axis. Among other things, the Christian National Union is associated with European conservative ideas which are in opposition to radical nationalism as understood here.

[Lys] Political life in Poland has just begun. What will be the sense and significance of classical political concepts in a postcommunist society?

[Chrzanowski] If our society continued to remain unformed in the sense of political outlooks, then only the facade would change in the existing system. If the nation really wants to decide its fate, then it must begin to think politically. The Christian National Union is a party that not only wants, in a certain perspective, to participate in elections and influence the government, but also believes that it must initiate its own kind of "internal" education designed to expand the political knowledge of Poles. Our society was excluded from political life and remained in opposition which in time exploded in the form of emotional impulses and which finally resulted in democratic changes. Now we must learn to approach politics in a rational manner based on the foundations of values we profess.

[Lys] To what social groups or classes is the Union addressing its program?

[Chrzanowski] We believe group interests should be expressed mainly via labor unions, farmers' unions, employer organizations, and other institutions of this type. A political party should not be an organization presenting the claims of this or that social group. Nonetheless, however, we believe that at this time the reemergence of the class that was the most subjugated, that is, the middle class, is extremely important. The middle class is always a stabilizing element. Today, very many people who are wage-earning, state employees hope to work for themselves. They can be found in the so-called middle class. We also are counting on winning followers among employees of large enterprises. The concern here is about changing their "place in society," such as was accomplished in the United States and England where, by participating in the ownership of an enterprise, the material and psychological situation of the workers changed fundamentally. We are directing our activities toward all social groups. What will be the true extent of our influence is now, of course, an open question.

[Lys] Thank you for the interview.

HUNGARY

NATO Secretary-General Interviewed: New European Order

90CH0347A Budapest NEPSZABADSAG in Hungarian
21 Jul 90 pp 1, 3

[Interview with NATO Secretary-General Manfred Worner by Sandor Gyori; place and date not given: "Cooperation for a New European Order"]

[Text] Big interviews often require great luck. This writer can confirm the validity of this journalistic axiom (or platitude?) after his attempts in Brussels to reach the secretary-general of NATO. As Worner was taking leave of Prime Minister Antall, he was beset by reporters, including the correspondent of NEPSZABADSAG.

Although the secretary-general would have gladly responded to the questions shouted at him in German, his entourage literally whirled him away. Dejected, I began walking out of the building, when unexpectedly I was accosted in German by a tall, middle-aged man.

"Are you a Hungarian reporter?" he asked.

"Yes, I am," I answered.

"If I understand correctly, you would like an interview with the secretary-general," he continued.

"That's right, but it is virtually hopeless...."

Colonel Norbert Neubauer, however, had a completely different opinion. "Hungary has done so much for German unity and the changes taking place in Europe," he said, "that you have every reason to expect such an interview. All the more so, since the secretary-general himself is a German."

This having been my first visit in this enormous block of buildings, I did not even know which way to turn. To the colonel, however, helping me appeared to be a matter of conscience. He practically grabbed me by the arm and took me to the press department, where politely but firmly he announced:

"The gentleman is a Hungarian journalist, and he would like to do an interview with Secretary-General Worner whatever it takes."

The desk officer looked up, appearing to recognize the colonel. Smiling with embarrassment he quietly said:

"Well, we have not said that it could not be done..."

...For the first time ever, on Thursday morning, the secretary-general of NATO gave an interview to a Hungarian paper.

[Gyori] Mr. Secretary-General, we are in July 1990. Would you have believed a year ago, that as the number one leader of NATO you would be visiting Moscow; that

German unity would take place virtually without a hitch; or that all-European integration would gain such incredible speed?

[Worner] Not even in my dreams did I predict such a turn of events which exceeded my wildest expectations. Naturally I had always believed that some day my homeland would reunite. The only thing I had not known was when, and I had not expected it to happen so soon. Nor had I expected NATO and the Soviet Union to warm up to each other this much and this quickly. Especially since at the time I assumed the post of secretary-general, I was not allowed to receive even the ambassador of any member country of the Warsaw Pact.

Surprise

[Gyori] Would it be a fair interpretation to assume from what you have said that NATO was caught off guard by what has happened?

[Worner] Most certainly. This—how should I put it?—revolution is a revolution of freedom which, thank God, so far has taken place without blood; the demand for self-determination and democracy has reached a level that could not have been foreseen. Of course, we must admit, much of what has happened has been due to the pioneering accomplishments of a man like Gorbachev.

[Gyori] During Prime Minister Antall's visit at NATO you also agreed with the assessment that this was a historical opening. So it appears unnecessary for me to ask whether or not you had ever expected to receive the prime minister of a Warsaw Pact member country on an official visit?

[Worner] The truth is that we had not foreseen it, although I have always had great regard for the Hungarian people's love of freedom. I have many Hungarian friends, and have studied some Hungarian history. So if I had to put my faith in somebody, it would definitely have been the Hungarians.

[Gyori] As long as we are on the subject, let me ask you: What, in your assessment, has Hungary's role been in bringing about change in Central and East Europe, and in the process of promoting German unification?

[Worner] The Hungarian decision earlier to open up the borders has had a determining impact on the changes that have occurred in my country. A peace-loving people, the Hungarians played, and continue to play, an important role in the reshaping of Europe. Traditionally they have maintained strong ties with the Poles, and are on good terms with the Czechs, which I look upon as being very positive. Hence I believe that in the future we can continue to expect pioneering impulses from Hungarian policy.

[Gyori] Do you think that there is a possibility of Hungary becoming a member of NATO upon joining the Common Market?

[Worner] Well, that I do not believe... At the time of his visit here the prime minister expressed hope that in 1995 your country would be allowed to join the European Community, but I think... In other words, the premier gave no indication that Hungary was looking to become a member of NATO. So as far as I am concerned, this is not a real issue at this time. It is more important for us to try to use this new atmosphere of practical cooperation to help establish a European order in which there is room for Hungary as well as the other countries of the Warsaw Pact, including the Soviet Union. I am thinking about an order in which Hungary can feel safe even if it chooses to leave the Warsaw Pact.

[Gyori] How do you, as the head of the North Atlantic integration assess the economic, political and military situation of the changing Central and East European countries?

[Worner] The most favorable, in my opinion, is the political situation. They have entered onto the course of democracy, and are moving in that direction in the spirit of self-determination. The states of Central and East Europe are finding ways of becoming parts of a free Europe, and are playing an important role in the Helsinki process. They can also make a vital contribution to the establishment of the above mentioned new order.

From the military standpoint, their situation is becoming similarly favorable as Soviet troops continue to withdraw. The danger of military conflict is steadily fading. At the same time, however, there is a burning need to find peaceful solutions to the new flareup of ethnic minority problems.

It is in the economic sphere where, in my opinion, the most difficult problems lie, although the situation here also varies from country to country. What I think is important is that they have taken firm steps toward a market economy. The countries of our alliance are ready to extend whatever assistance they can in this area.

NATO Will Remain

[Gyori] In view of the colossal changes that have taken place, your countryman, the social democrat Egon Bahr, has been talking about the beginning of the end for NATO. And indeed the question can rightly be asked whether or not following the practical disintegration of the Warsaw Pact it can be justified to maintain the Western military integration?

[Worner] Look, perhaps the best way I could answer that question is to say: go and ask your own prime minister. He, like I, is firmly convinced that it plays a necessary role. Mr. Bahr is wrong, just as he has been wrong about every possible issue he has taken a stand on in the past two years.

Let me point out the political reason for why we think it remains important: our 16 free and democratic countries have learned how they can solve their political problems collectively. As long as they hold together they remain in

a position to continue to ensure a better future for Europe. We need the Atlantic Alliance, as it serves both as a means and a forum for the 16 countries to pursue a collective policy toward the establishment of a new order.

There is another reason why keeping the Atlantic Alliance intact remains necessary; the fact that it is a vital means of ensuring continued American commitment to the preservation of European security. And this is absolutely essential to us. Thirdly, it is also necessary from the military point of view. The worst is not yet over, as we still need to consider a good many factors stemming from uncertainty and instability, especially if we look at the Soviet Union. We sincerely hope that the reform movement will succeed, and we will do everything to support it. At this point, however, no one can really tell what can still happen. After all, the Soviet Union is still a great military power with whom we happen to be in the process of establishing a partner relationship. At the same time, however, we need to maintain an adequate defense in order to eliminate all possible risks, and to be certain that no one in Europe will ever resort to military force or other means that can lead to war.

Support for Budapest

[Gyori] In saying good-bye to Prime Minister Antall at the entrance to the NATO center in Brussels, you stated that the North Atlantic Treaty Organization would like to assist Hungary. Was this merely a polite formality on your part, or can we assume that there was more to it?

[Worner] As you know, many of our member states have taken practical steps toward promoting cooperation and assistance. In addition, at every available opportunity we have supported Hungary's political aspirations. I am talking here about the political and economic spheres. To put it in general terms: although NATO will never step beyond the boundaries of its intended military role, it nevertheless adds a certain degree of stability to, and helps to strengthen the all-European situation. By doing so it also contributes to the strengthening of the security of the other European countries as well. In this context, therefore, it is by no means an empty slogan, but rather a practical fact to say that the member states of NATO are standing with Hungary as it moves toward greater freedom and prosperity.

[Gyori] Occasionally we hear Gorbachev's conservative opponents charging that the Soviet president has practically "handed over" the GDR to the Federal Republic. They are also critical of the agreement, or as they put it "sellout," that has been reached concerning Germany's NATO membership. What is your opinion about this?

[Worner] Those who represent this view are short-sighted. They are unable to accept the fact that the time for conquering peoples using tanks and troops is over. They cannot comprehend that by taking this wise and rational step the Soviet Union has found real friends in the West; friends whom otherwise it would not have had. In addition, the Soviet Union has not lost anything that

eventually would not have been lost anyway. Instead, it has found new friends and partners both in Germany and elsewhere.

In the long run everyone stands to profit from this. Moreover, the NATO membership of a unified Germany will be a guarantee of stability, peace and security, as our alliance is a purely defensive one which has never taken up arms in pursuit of offensive objectives. It will never pursue such aims, and will use its resources only to repel a possible attack.

Gorbachev Affirmed

And finally, I would like to remind Gorbachev's critics of one of Talleyrand's famous sayings: You can do many things with bayonets except lean on them.

[Gyori] Although definitely European, given its economic strength the unified Germany will be a world power. What role do you expect this new power to play within NATO?

[Worner] We expect them to actively contribute to our efforts to form a new Europe founded on peace and stability.

This concluded the official segment of our talk, even the epilogue had some informational value. NATO's press chief, Robin Stafford, who was present throughout the interview, asked me to join him for a short conversation. This, however, first meant that we had to accompany the secretary-general who was about to leave for the studio of the NATO center.

Escorted by hefty security guards with closely cropped hair styles, our unique threesome took off. As we were wandering through the labyrinths of that vast building complex, Worner remained a jovial and dynamic conversation partner. He became genuinely excited when asked whether or not he has ever visited Hungary.

[Worner] Unfortunately I have never been to your country. When I was defense minister of the FRG, I could not go. Later, after I became secretary-general of the North Atlantic Alliance, I was again unable to go. The first real opportunity I had was this summer, however, I have missed my chance. I truly regret that I did, for I have long been looking forward to getting to know your country. No matter, I will make up for it in November...

[Gyori] Bon voyage and best of luck, Mr. Secretary-General.

[Worner] Same to you; I will see you later, if not sooner, in November.

Brussels, 20 July 1990

POLAND

Ammunition-Manufacturing Firm Seeks Markets in Western Europe

90EP0817A Warsaw GAZETA BANKOWA in Polish
No 31, 29 Jul-4 Aug 90 p 1

[Article by Ireneusz Chojnacki: "'Malutka' [The Little One] Wants To Go West"]

[Text] The General Wladyslaw Sikorski Mesko Metal-working Plants, established in 1924 in Skarzysko-Kamienna, are the only Polish manufacturer of small- and medium-caliber ammunition. Before the outbreak of World War II, they occupied fourth place on the world's list of ammunition exporters. During the period of communist rule, by no means shunning arms trade, the plants completely lost contact with the outside world market. Therefore, it is no wonder that Mesko's arrival at this year's international IWA '90 [expansion unknown] fighter ammunition fair caused a small sensation. At the same time, it came out that the majority of Western exhibitors and potential clients did not even know that an ammunition manufacturing firm exists in Poland based on its own construction and technological solutions.

In January of this year, the government agency, Central Engineering Administration [CENZIN], lost its monopoly on the arms trade. This fact was quickly taken advantage of by Mesko; for the first time following the war, it presented itself and its products to the world. Why was this important to an arms manufacturing firm?

Mowers Are Supporting Missiles

During the years of its greatest prosperity thus far, i.e., during the Korean War, Mesko employed approximately 20,000 people. However, the war ended, the personnel began to dwindle away slowly, and currently it numbers approximately 8,000 persons. The greatly vacillating war situation and the huge cost of maintaining special structures developed during the Korean boom forced the plants to start civilian production. Besides weapons, the products that began to come out of Skarzysko-Kamienna were, among other things, kitchen and delicatessen food processors, gas stoves, and most recently minitractors, mowers, and driving gear for computer printers. Civilian production has attained approximately 50 percent of the overall production value and furthermore, it attained an export advantage—currently, special production constitutes barely five to six percent of the 25-percent share of trade with foreign countries.

For Mesko, such an export structure is unfavorable today. As we all know, 1990 has brought about MON [Ministry of National Defense] and MSW [Ministry of Internal Affairs] budget restrictions, similarly a drop in domestic orders and, what is crucial, also a drop in orders from the Warsaw Pact countries. In the case of Mesko, in comparison with the previous year, the level of orders as a whole has already decreased 60 percent and is still falling. After the first six months of this year, the effect of this is such that civilian

production is supporting a portion of military production which, although profitable, cannot hold its own alone today.

Such a paradox arises as a result of the binding system of financing military production. The drastic drop in orders did not entail generosity on the part of the central budget—the created production reserves (halls, building, machinery, etc.) are being financed by the particular plants whose military production character does not permit the conversion of production from a military to a civilian one in a short period of time. First of all this, and second, the eventual change of the production type and assortment would mean the permanent reduction of the production potential for the country's defense—something that could only make pacifists happy.

The suspended special investments which at one time were begun at the central administrations' recommendation constitute a separate problem. Admittedly, Mesko and other firms receive subsidies for maintaining these investments but this does not make them happy whatsoever. These subsidies increase the already-substantial initial fund, and this means that they are being paid off in the form of dividends. As time passes, dividends grow nominally along with the influx of subsidies, whereas chances for utilizing the suspended investments are nowhere to be seen.

The effects of such decisionmaking conduct on the part of the central administration are the same as the consequences of the recent reassessment of fixed assets. Only the central budget derives benefits whereas enterprises are gasping for air—the arms production enterprises even more so now that, at least for the time being, the world's trouble spots are gradually disappearing whereas further arms reduction in Europe appears to be only a matter of time.

Therefore, if changes in state policy toward arms manufacturing plants do not occur and domestic orders do not grow, Mesko and other enterprises will have to look for opportunities in the expansion of civilian production and increased exports, above all, beyond the Warsaw Pact area.

Export Ammunition

Currently, Mesko manufactures military ammunition between 5.45 mm and 23 mm caliber, fighting ammunition, gas ammunition (8 mm and 9 mm), antiterrorist ammunition as well as "Malutka" antitank defense missiles and "Strzala" anti-aircraft missiles. Both are based on Soviet licenses from the 60's and 70's.

However, it will be difficult to increase the area of income. The world selling market has been divided for a long time already. The USSR and the United States wield the palm of triumph, whereas the European policy of Western countries also in the area of armaments is rather cohesive. In addition, the ammunition used in the Warsaw Pact simply does not fit NATO arms. In the entire former camp of socialist states, no one manufactures NATO weapons.

However, this very fact marks a chance for Mesko which, as the first firm in the Warsaw Pact [to do so], recently began the independent production of 9 mm ammunition suitable for automatic, Walther, Mauser, and Madsen type pistols.

However, whether it will take advantage of the emerging opportunity depends in great measure on the government. Without government consent, the plant cannot join the Commission Internationale Permanente [Permanent International Commission for the Proof of Small-Arms—CIP] and, in turn, no one is able to sell ammunition without CIP authorization in Western countries, even if it were to be a bargain. The reason is simple: CIP encompasses nearly the entire Western world with its range and control. Recently, the Americans have joined the CIP in the capacity of observers and the Japanese have started to participate in its work.

Accession to the CIP would mean, on the one hand, the possibility of utilizing the technology and test results of CIP members and, on the other hand, it would be synonymous with the necessity of sharing our own experiments. The question of who would currently have more to gain from such an arrangement is a rhetorical question.

Mesko and Pronit from Pionki (manufacturers of gunpowder for Mesko) were the first plants from CEMA to take part in the CIP symposium. Currently, they are preparing appropriate documents for the government, which must take the next step.

Before it eventually comes to the exporting of ammunition from Skarzysko to the West, the domestic arms plants should be relieved of the cost of maintaining the currently unused arms potential. What would this give? First of all, prices on military and civilian goods would fall and this would increase their price competitiveness in the country and abroad. Secondly, only then would we obtain a true picture of the needs of the Polish army at times of peace. For the time being, however, the MON budget is really tangled up because from it flows the money for maintaining the entire potential of special production. The army pays prices which include the cost of maintaining this used and unused potential.

This situation seems impossible to maintain over a long period of time, not unlike the current system of setting prices on military products of arms manufacturing firms. Because of the meagerness of funds allocated to MON, they [prices] are now established according to the army's budget possibilities apart from the cost of production.

The problems in the arms industry presented here require a prompt solution. Their effect is that the cost which the government must bear for maintaining the Polish arms industry is currently unknown.

In my opinion, this fact is at the same time an indication of the lack of a clear concept of defense policy which should also specify the principles of the restructuring of the arms industry. And that such restructuring on a large scale awaits us is as sure as if it were in a bank—a Swiss bank, of course.

CZECHOSLOVAKIA

Advantages of 'Coupon' Privatization Discussed

90CH0358A Prague ZEMEDEL'SKE NOVINY
in Czech 18 Jul 90 p 3

[Article by Vladimir Rudlovcek, Federal Ministry of Finance: "Prognostician Zeman May Not Agree, but...; Advantages of 'Coupon' Privatization"—first paragraph is ZEMEDEL'SKE NOVINY introduction]

[Text] ZEMEDEL'SKE NOVINY on 21 June printed a discussion with M. Zeman under the title, "We Will Not Grow Rich With Property Coupons." The title itself suggests that our popular prognostician does not agree with the coupon form of privatization. There isn't a broad debate on this issue in the press but negative opinions are in the majority. Those directly involved with privatization projects lack the time and motivation to engage in public discussions. This is a defect that needs to be corrected if we do not want to have a one-sided monologue by adversaries.

It is not my purpose in this contribution to engage in a detailed description of privatization projects based on the idea of distributing shares by selling them to the public in the form of investment coupons. I should like to emphasize the basic purpose of this rapid privatization. Let's begin from the end—from the objections to a "coupon" privatization. These are the principal comments:

1. The inflationary effect of investment coupons. Basic to it is the notion that the public will always find a way to create a market in which the poor will sell coupons to the rich who have monetary savings. Thus the rich will have an opportunity to acquire "for a pittance" a major portion of the shares, while the poor will throw themselves on the consumer market thus exacerbating its imbalance.

2. Irresponsible divestiture of the national wealth. Selling shares in the form of investment coupons, in the opinion of the critics, amounts to disposing of assets "for nothing in return." Instead of obtaining funds for the state by selling shares to the public for cash, we let people use their own money as they see fit and on top we offer them an undeserved gain in the form of shares.

3. Scattering ownership. Distribution of shares among a large number of holders will not create sufficiently concentrated ownership on the basis of which it would be possible to exert effective pressure on the management of joint-stock companies and to force their managers to satisfy not just the short-term interest of the employees but primarily the long-term interests of the owners.

Let's see what arguments can be found to counter these views. In the first place it is evident that one cannot

completely exclude the possibility of converting investment coupons or shares obtained for them into "consumer money." Nevertheless there is a variety of means permitting a reduction in the volume of such undesirable transactions to an absolute minimum. Any official transaction involving coupons or shares will be allowed only with the participation of their owner. Shares exchanged for coupons will not be legally saleable for an extended period of time; also, for that time payment of dividends on them will be blocked. Under these circumstances an unofficial sale or purchase of shares carries a substantial risk. Thus motivation to engage in illegal monetary transactions involving shares will be strongly suppressed.

Second, within the scope of coupon privatization we will not for the most part see a "giving away" of efficient, highly prosperous enterprises. It will involve average Czechoslovak enterprises which by international standards are on the brink of bankruptcy. If we leave them in this condition for any length of time, they will be threatened with ruin. Under these circumstances there cannot be a surge of mass interest in purchasing shares of undependable joint-stock companies; moreover, this interest will be restrained by the public's limited purchasing power. Proposals to offer loans for the purchase of shares do not provide a viable means to overcome insufficient purchasing power.

In reality, a "giving away" of shares of a significant number of the presently mostly stagnating Czechoslovak enterprises is the only way for a large-scale attempt to breathe life into those victims of a planned economy and their rescue from the clutches of a spontaneous privatization, meaning that it will speedily end their plunder by the current actual "owners"—managers freed from controls. It is clear that this attempt may not be equally successful in all cases. But in any event the shareholders are a hundred times more motivated to care for the efficiency and long-term prospects of their enterprise than its present incapacitated formal owner, be it the state or its actual temporary owners—the enterprise management.

Objections concerning an insufficient concentration of ownership are perhaps closest to the heart of the problem. Here too there are many counterarguments and methods how to reduce the probability of failure. Already the stage of selling shares for coupons offers a number of opportunities for individuals to acquire larger blocks of shares. The issue will be how to know or correctly assess signals in the process of sales which will be accessible to all, and to properly respond to them in the purchasing of shares.

It is not anticipated that all shares of a company will be redeemable for coupons. A certain proportion will be reserved for cash sale to Czechoslovak citizens; at a later time shares will be offered also to interested parties abroad. Here we already reckon with the functioning of a real capital market. A situation may be created that for a certain period owners of shares purchased for cash will have a "stronger" voice at the general meeting than

owners of shares exchanged for coupons. This will aid a more concentrated pressure on the managers. The benefit from this, especially in the longer term, will accrue to all shareholders.

In countering the view which ascribes to coupon privatization the character of an irresponsible divestiture of assets, we get to a wholly different perception, one much closer to reality. A rapid and mass-scale privatization of this type wants to return the characteristics of property to what in its present state really lacks the features of property. The investment coupons offer all citizens equal starting opportunity for entry into this kind of enterprising. Thus a program of "rescue by privatization" can encompass a great many more enterprises than would be the case if we relied on the relatively low level of savings presently held by the public.

In conclusion, let us ask: Who will be disadvantaged as a result of coupon privatization? In the first place, the state bureaucracy which sticks to its favorite redistribution of resources and enjoys it for as long as most enterprises remain in state ownership. Also, privatization may mean a loss to managers of state enterprises who find the present state of affairs permitting spontaneous privatization very congenial to them. A logical consequence of leaving the economy in this state is the threat of its return to the methods of central management. This should offer food for thought perhaps especially to those who, as I believe, in most cases with the best of intentions are railing against a rapid, mass-scale coupon privatization of the Czechoslovak economy.

Transition to Market Economy Strategy Outlined

90CH0351B Prague HOSPODARSKE NOVINY
(supplement) in Czech 25 Jul 90 p 3

[Interview with Professor Karel Kouba, Sc.D., Prognostic Institute, by Miroslav Kana; place and date not given: "Unplanned Steps in the Right Direction"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] Let us briefly recap the gist of the interview "Which Way to an Efficient Market" that appeared in the last 1989 issue of our newspapers and that we now continue. As at that time, today, shortly before the appointment of new governments, our questions are again answered by Professor Karel Kouba, Sc.D., of the Prognostic Institute. He then linked an feasible strategy of our economic reform with healthy monetary policies and with prevention of deficit financing. At the same time he spoke about the need of a free way for the private sector and of privatization. Naturally, the crux of the matter is decontrolled prices, the exchange rate of the koruna, and the opening of our economy. Since then K. Kouba had led a Czech governmental team of expert economists and served as a member of the Economic Council of the government of the Czech Republic.

[Kana] If you compare your views on our economic reform with reality, do you find them in agreement? After all, in our previous discussion you repeatedly

expressed your fears that during the election campaign our economy might be forgotten and then our priorities, as compared with those of the partially reformed countries of East and Central Europe, might easily vanish.

[Kouba] The strategy of our transition to a market economy was conceived and approved basically along the lines we had discussed. Therefore, I can express some satisfaction that our measures are better than those in a number of countries in East Europe and that we can apply them for a relatively smooth transition to market economy.

[Kana] However, I heard what you said at a spring seminar some time ago: "I no longer know whom to approach and whom to tell that the process of our reform is not right, even if it follows the right direction."

[Kouba] That is exactly what I think. The demanding requirements of our measures have not been planned well enough. In fact, we must realize that our measures are extremely vulnerable. They exist only in comparison with some countries of East Europe. If we compared them with the advanced world, with the West, unfavorable trends in the development of our economy continue. The fact that we have not halted them in six months is not alarming—after all, that would be impossible—but the fact that they have escalated is. I do not see this escalation a threat to our growth rate, which in this brief period has continued to further decline. At this particular moment growth is not our number one priority. A balance is vital for a less painful transition to the opening of markets but unfortunately, conditions of imbalance have worsened.

[Kana] This must certainly concern wages which, according to reports, are going up, and also excessive construction projects.

[Kouba] Above all, wages are increasing in a disadvantageous way. Data on investments must be greatly suspected because we have lost all assurance about the accuracy of traditional statistical data which furthermore appear very late. Therefore, we do not know what exactly is happening with investments. For the past four years already, the growth of investments has been substantially higher than projections for the development of our national revenue which is stagnating. That is one of the decisive dangerous causes of inflationary pressures. We cannot be satisfied with our export capacities. Devaluation in the beginning of this year failed to produce any visible effects in terms of encouraging exports.

[Kana] However, devaluation was presented, among other things, as a contribution in the proexport direction.

[Kouba] Yes, I know, and that leads to one conclusion. We must plan all steps to implementation very thoroughly and then we must assess them. In my view, this is what economic and political decisions over the past six months lacked. That means, first, that the objectives of every policy must be determined in greater detail, and secondly, that they must be successfully implemented

and their effects, results, often enough also costs which may be sometimes unexpected, and all side effects must be thoroughly reassessed; some effects may be negative and then of course, steps to correct them should be taken.

[Kana] In an interview with our newspaper, Minister Klaus explained some time ago why the state budget must be restrictive. I asked him whether he was not afraid of a supplemental state budget because incomes of the state budget were declining due to the declining production. He said that obviously, he could not preclude any unforeseen developments, such as poor harvests or changes in the Soviet Union. Do you feel that even without such phenomena our economy is dangerously close to a situation where a supplemental state budget will be necessary?

[Kouba] Of course, I feel that. Since uncertainties are many and constantly increasing, the projected income of the state budget is among the risks of our further development. Corrective measures here are necessary but they do not cancel the need to overcome deficit financing. In this sense I see the choice of our macroeconomic policies as basically correct. Some of their opponents cast doubts on them because they think that there is a connection between the restrictive macroeconomic policies and the declining growth rate of our economy. I disagree. In our country we have no recession stemming from an excessive credit rate policy. In our country it is the case of a growth rate which is declining because of certain other circumstances. I think that restrictive monetary and credit policies are inevitable conditions of systemic changes in the anti-inflationary direction.

[Kana] In other words, you do approve restrictive policies, albeit with some reservations.

[Kouba] Restrictive policies are indisputable basic preconditions for our successful transition to the market mechanism and to efficient economy. However, here I see gaping problems, such as our unreliable price criteria leading to insolvency of enterprises which may have good long-term outlook and whose development we must support. This problem involves the method to control uniform and blanket restrictive policies. That is linked with the still open rehashed problem, namely, that insolvency in our country has increased again and the bank cannot control it—I mean, by interenterprise credits. This release of credits is also a source of inflationary pressures.

[Kana] Do I understand you correctly that your objections concern time rather than objective contents of the proposed steps?

[Kouba] Indeed. I suppose that we could have tackled the outline of general programs for systemic changes much more expeditiously. The work on the comprehensive program for economic reform both on the federal level and on the level of our national governments did not begin until mid-March. For instance, the governmental level could not reach any satisfactory consensus

about the need of simultaneous price decontrol and of a more realistic exchange rate, although that is the heart of an effective strategy and an inevitable succession of steps toward market economy. The government approved the program only after the parliament had de facto stopped to function and thus, the program could not be thoroughly discussed. However, my primary objection is that the program was not drafted during the period when also trade unions and representatives of the enterprise sphere should have been consulted about it.

[Kana] This demand reminds me somewhat of the nationwide discussion about the draft of the law on state enterprise. Nonprofessionals can offer only uninformed opinion.

[Kouba] The issue here is not a nationwide discussion but informed expertise of interested participants in this complex process. A team of experts of the Czech government, which since mid-March had been drafting our contribution to general documentation, had to work extremely fast and so we did not have time for the initially anticipated expert consultations with a greater number of specialists and managers of enterprises.

[Kana] Since the slow pace of the work bothers you, then you must be a proponent of speedy reforms which, too, have many opponents.

[Kouba] I certainly am a proponent of speedy reforms. Of course, every method involves some risks. It was decided that we should proceed at a relatively rapid rate, but projects with the necessary clarification of preconditions are proceeding slowly. There different views on the degree of our economic imbalance. Some economists have mentioned scores of billions of korunas, sometimes even about several hundred billions, and ended with demand korunas six hundred billion higher than supply. These views are so divergent that they cause anxiety and uncertainty about potential undesirable effects and social impacts, especially those stemming from radically decontrolled prices. Essential preconditions for the reform have not been met. To decontrol prices in any way, we need to demonopolize our domestic economy. The measures issued in February, which apply for the next stage of decentralization to be achieved by gain of independence on the part of enterprises and factories, are already the fourth of their kind since 1977. All that, however, fails to give assurance that our extremely monopolized economy will be demonopolized. On principle, that may be achieved only by the opening of our economy. However, we cannot even think about decontrolling prices in our overly monopolized production, monopolized wholesale trade and very monopolized retail trade, when numerous restrictions of foreign partnership in entrepreneurship still apply.

[Kana] At the seminar of the U.S. PlanEcon Company you voiced your doubts about the suggestion about privatization by giving away shares. Since then a proposal was made that coupons be given away, which was met with general displeasure.

[Kouba] Although privatization of state enterprises is the key question, discussions about it have lost sight of a problem that may be resolved far more expeditiously than we had been dealing with it over the past six months. By that I mean the development of private entrepreneurship.

[Kana] It is a slow process mainly because opportunities are not provided for it.

[Kouba] I should like to say something about that. After some delay we adopted the trade law; however, it fails completely to answer the question how to overcome bureaucratic structures that prevent would-be entrepreneurs from free entry in our economic life. It is the task of every government to assist private entrepreneurs. Laws alone are not enough.

[Kana] However, entrepreneurship is still understood only in terms of trade. Anyone can see a seamstress or a plumber as private entrepreneurs, but not so a manufacturing plant.

[Kouba] I think that the fate of the reform is linked to a great extent with the private sector other than small trade. We must offer opportunities also to those entrepreneurs who intend to employ, let us say, several scores of individuals. In our country one does not see too many enterprises with several scores of employees. The private sector should fill that vacuum. But what have we created so far for that? That is the bottom-line problem for various forms of ownership.

[Kana] But that will not resolve the problem concerning the forms of privatization of state enterprises.

[Kouba] Particularly for our governments it is difficult to answer the question about the form of privatization because we are dealing here with an unprecedented task. We are not facing the usual problem of classic privatization which took place in the 1980's in dozens of countries—namely, privatization of several scores of state enterprises whose share in economy is small. In our country such enterprises predominate but we have no experience with their transfer into the hands of private owners. Here we need a relatively speedy, but not hasty, process of privatization. I do not advocate the view that the way to accelerate this process is with investment coupons; that is not the main direction. I am for diversified forms of privatization, all of which will be controlled by the parliament and by our governments; they will not be subject to official procedures alone. Speedy and extensive privatization involves the risk of the so-called spontaneous privatization, for instance, in Poland and Hungary, which left considerable space for the managers of enterprises, but which did not succeed.

[Kana] There were some allegations in the press that the managers were helping primarily themselves.

[Kouba] Exactly. They were able to buy stocks wholesale and very cheap, and then they used them for speculation and sold them immediately to foreign companies. For that reason, the team of experts recommended to the

Czech Government that agencies nominated by the representative bodies oversee that process.

[Kana] That was in essence adopted; nevertheless, the problem of forms of investment continues.

[Kouba] I am for a decisive pragmatic approach—to gain certain initial experience and, on that basis, to continue on a larger scale. In selected promising instances we should conclude expeditiously and with greater determination agreements on the participation of serious foreign partners. We must give preference to forms of privatization that ensure transfer of technologies and experience in management. We cannot achieve that on a priority basis with the forms of traditional privatization of domestic economy which acts more as incentive.

[Kana] According to my experience, many of our enterprises expect salvation from privatization, others expect support for their export capacity, or they hope that with a partner's help that may get into his network.

[Kouba] That may not be so simple because markets are already reserved and divided. Even so, however, participation of a foreign partner usually improves competitiveness. As for export in general, I am afraid that over the past six months we have focused much too one-sidedly on critical attitudes toward the CEMA. It is true that its agencies have completely failed and that our economic cooperation with the CEMA does not at all agree with original objectives. Nevertheless, it is desirable that we begin promptly and intensively our work on an effective commercial policy even in this area. We are much too closely tied to it; as part of our effective general policy in the world, we should be selective and stay in some of the CEMA markets. This will not be easy because that must be done on the enterprise level, for which we are not ready. There is a danger of delay here.

[Kana] It is evident that the situation calls for steps toward stabilization. It would be good if in conclusion you would summarize your ideas about them.

[Kouba] The Czech Government has already drafted its program for stabilization; among the shortcomings of the former federal government was its failure to develop such a program and to prevent a proliferation of undesirable phenomena. This is a question of efficient methods of wage control which should tie them much more strictly to higher productivity. Wages have grown by five or more percent, but labor productivity is stagnating. I would put great emphasis on investment controls. It is alarming that investments in particular are increasing on the basis of central decisions. Many unfinished construction projects of capital investment are our unwanted legacy from the former VHS's [economic production units]; they have no investors, or else enterprises to which they have been recently allocated are not interested in them or have no funds for them. Then there is the area of our foreign trade operations. We need more assurance that our export efficiency will be really commensurate with our growing demands, or that the situation does not require more radical corrective measures.

[Kana] I think that, for instance, the attitude of our people to their money should also be stabilized—I mean mainly their saving practices.

[Kouba] Naturally, the program of stabilization must include the transition to a positive realistic credit rate that will compensate people for an increasing inflation and revert the trend toward a decline of savings. We need to put our market at ease; in particular, we must find very soon our orientation in a situation resulting from the highest rise of food prices since 1953. It involves great changes in the structure of demand; it has social impacts, some of them undesirable, despite full compensation on the scale of our national economy. A thorough assessment of those changes is one of the preconditions for price decontrol.

[Kana] However, the current interest rate, despite its changes, will hardly be effective.

[Kouba] At this time the average interest rate is about 3.5 percent. The average index of open inflation is approximately the same but hidden inflation in our country continues. We have not fully resolved the transition to realistic interest rates. Naturally, they are not a problem for the consumer sector alone; we must gradually deal with this problem in the enterprise sphere as well.

[Kana] Our conversation was substantially more extensive and therefore, there was no space for some issues in this article. Let us mention at least one topic—consensus. While this problem was clearly identified six months ago, the creation of conditions for it has been lagging. That requires better information of our public about the intentions of our government. Here the delay has shown that it is more difficult to reach consensus both in the government and in our public than one would originally assume. This may continue because our three governments are now certain to espouse different, occasionally even conflicting interests. Nevertheless, it is not feasible to enforce some decisions without any previous consensus on the part of the governments, trade unions, and the enterprise sector. Thus far, this has been underestimated, although it is an essential precondition for the steps to our economic reform.

State Farm Transition to Cooperatives Procedure Viewed

90CH0358B Prague ZEMEDELSKE NOVINY
in Czech 28 Jul 90 p 7

[Article by Dr. Karel Svoboda, department head, Czech Republic Agriculture Ministry: "Founding a Cooperative Enterprise by Farm Cooperatives; How To Proceed in Converting State Enterprises to Cooperative Ones. Rules Governing the Inception and Authority of Farm Interest Associations"]

[Text] Many agricultural cooperative organizations are presently laying claim to former cooperative properties now held by state enterprises as national property. State enterprises are empowered to manage these properties.

They include particularly plants and establishments of the processing industry, technical, technological and purchasing services. The proposed solution may be applied to any national property, that is even if it had not been owned by the former cooperatives.

A cooperative enterprise may be founded by a cooperative or an association of cooperatives, which then fulfills the founder's function vis-a-vis the enterprise. A cooperative enterprise is a legal entity and begins to exist by the founder's decision on the day of its entry in the enterprise register. It manages the founder's assets entrusted to it, as well as the assets acquired by its own entrepreneurial activity. It has the right to manage these assets.

Application for entry of the cooperative enterprise in the enterprise register is filed by the founder-association. It must be accompanied by:

- the founding certificate;
- approval by the appropriate body of the state administration of the purpose of business (activity) where special regulations require such approval.

The founding certificate must include:

- a) designation of the founder;
- b) name and location of the enterprise—the name must exclude the possibility of being interchanged with the names of other organizations and must clearly show that it designates a cooperative enterprise;
- c) the organization's identification number;
- d) definition of the basic purpose of business (activity) and, where appropriate, provisions regarding the transfer of rights and obligations passed on to the enterprise being founded;
- e) definition of the period for which the enterprises is founded, or, if appropriate, definition of the objective for which it is founded;
- f) definition of relations including financial between founder and enterprise and of the extent of the founder's liability for obligations when the enterprise is liquidated.

The cooperative enterprise is not liable for the founder's obligations. The founder is however liable for the obligations of its enterprise up to the value of assets entrusted to it. Balance sheet and profit (loss) distribution are subject to the founder's approval. The enterprise director is appointed and recalled by the founder. The director manages the enterprise activity and is responsible for it and its results to the founder. As a statutory organ he acts in the enterprise's name in all matters. Work in the enterprise is performed by its personnel in

regular employment or on the basis of agreements on work performed outside regular employment.

Utilizing provisions of the law on farm cooperatives and the law on state enterprises, conversion of a state enterprise to a cooperative enterprise may be carried out in the following manner:

To promote mutual assistance and cooperation and in support of their professional and other interests, farm cooperatives acting in a voluntary manner set up an interest organization-association. Membership in the association is open also to other legal entities or citizens—privately operating farmers in accordance with the approved bylaws of the association. Thus any cooperative, state or private farm establishment may join as members of one association which then supports their interests.

The association comes into being by decision of assembled representatives of legal and physical entities in whose interest the association is being formed. It then sets up its bodies, prepares its bylaws and documentation for entry in the enterprise register. The association is a legal entity.

Its bylaws include in particular:

- conditions under which membership may be initiated or terminated;
- members' rights and obligations;
- the association's activities and goals;
- its bodies and their authority;
- method of operating;
- principles governing the formation, utilization, and management of joint defined-purpose funds;
- material consequences of the association's dissolution.

An association set up in this manner in a given area may become the founder of a cooperative enterprise.

The association's bodies request the founder of state enterprises—the MZ CR [Czech Republic Agriculture Ministry]—to transfer the state enterprise in question to a cooperative enterprise. MZ CR, as founder of the present state enterprises, may, in accordance with the appropriate provisions of the law on state enterprises, dissolve the enterprise without liquidation and transfer its material assets in their entirety contractually to the ownership of the farm association. The contract must contain particularly provisions on the transfer of rights and obligations which the founder believes to be irrevocable if a functioning market mechanism is to be sustained and also provisions on settlement of property rights involved in the transfer (with or without compensation).

It is assumed that farm organizations will be interested in this arrangement as a way to decentralize the existing

management and organizational structures of large state enterprises to such economic and legal units as would correspond to the anticipated territorial grouping of farm organizations in the association.

As one looks at the organizational arrangement of the existing state enterprises, this involves practically all the present plants and operating establishments. The exception here may be farm associations concentrating producers of specialized farm products processed in one or more state enterprises. In these cases there may emerge a narrowly specialized association operating on a territory of for instance the entire Czech Republic, with one or more cooperative enterprises.

Among other things, the proposed arrangement also resolves a dispute which currently crops up due to some farm cooperatives applying individually for a cooperative enterprise. Others in the same area consequently express concern that production, marketing or service activities might become concentrated in the hands of one farm cooperative which would provide them only for its own benefit.

The solution outlined above follows from present laws and is being publicized as a recommendation to be considered by all legal entities in the economic area contemplating their future organizational arrangement. Each sector and each entity must weigh its opportunities and objectives regarding future cooperation, the forms of purchasing, production, economic and commercial linkages, relations involving property rights and obligations including external conditions defined by the rules of a market economy.

Every good captain knows that on entering a harbor he needs a pilot. Every good manager should know that on entering into new conditions he needs an advisor. Department 320 of the MZ CR is ready to offer you advice in all matters concerning the new organizational structures.

HUNGARY

Agricultural Reorganization Progress Report

90CH0323A Budapest NEPSZABADSAG in Hungarian
19 Jun 90 pp 1, 8

[Reports from four counties by Jozsef Hazafi and Tamas Ungar (Tolna), Janos T. Rac (Hajdu-Bihar), Istvan Tanacs (Csongrad), and Peter E. Kovary (Bekes): "From Cooperatives to Cooperation"; and article by Denes Kovacs: "What Is the Secret of the Future?"]

[Text]

From Cooperatives to Cooperation

Some people say that the changes in agriculture are taking place so rapidly that one will see, perhaps within days, only farmers in the fields. But, if any significant

change took place in the onetime large socialist enterprise, it was an internal change at best, but even that was not a revolutionary product of the change of systems, for the change into real cooperatives goes back much farther into the past.

What kinds of processes began in cooperative management that are becoming more rational? Well, neither the Ministry of Agriculture nor the MOSZ [National Association of Agricultural Cooperators and Producers], which represents nationwide interests, could present concrete facts. One reason for this was that this change is a rather broad concept. For the time being, the trend to incorporate involves one or another secondary or industrial production branch rather than the entire economy. We hardly find an example of an entire cooperative becoming a corporation. Of course, one reason for this is that a cooperative cannot be brought as dowry into a joint venture. Because of this, several foreign joint companies could not be formed. However, incorporation would be promising to the co-ops because, as joint companies, they would get tax breaks. Nevertheless, this form is not popular. The same thing can be said of business associations. Thus, aside from a few exceptions, we cannot speak of illicit asset-salvaging practices, indeed, many cooperatives do not even take advantage of legal means. The only—more popular—form is perhaps a change to a looser form of cooperation, to a specialized cooperative, but this, too, happens only in Bacs-Kiskun County. The experts estimate that ten such changes have been registered.

On the other hand, internal forms of venture are much more common. There are several examples of breaking up, at the initiative of the members, cooperatives that were forcibly and unsuccessfully formed. It is also revealing that onetime owners living in the village and working in the co-op do not take advantage of the opportunity to withdraw their lands from common cultivation. Most members are satisfied with their household plots which may be as large today as two or three hectares. In this way, farming within the co-op is more profitable than complete—but uncertain—independence.

Tolna County: Those Staying Together

Tolna County's German peasants say that, no matter what the policy is, they will continue cultivating the land. They add that of late there has been a lot of slackness in the co-op. The management is not in control anymore, and the workers have trust in the household plots. Despite all this, the peasant never closes up shop.

People at the Felsonana cooperative are not worried that their crops might be harvested by someone else. According to information given by chief agronomist Laszlo Nemesvari, they have everything in place for this year's harvesting. On a longer range, they are uncertain. Most Szekelys [East Transylvanian Magyars] of Felsonana settled in Erd and, if the boundaries will be drawn

according to the 1947 conditions, the owners of the lands will live outside the settlement.

The Szekszard Agricultural Combine plans to begin harvesting on 29 June. The yield in grains is expected to be 10 to 11 [metric] tons in Szekszard. Director general Antal Asztalos says the workers of state farms have the dignity of peasants, a characteristic of country people. They know that they must sow under any circumstance, even if someone else might do the harvesting. But they want to be treated by the establishment—the law—like the members of cooperatives. This is important, especially in view of the fact that state farm workers did not receive any land in 1947. It would be inhumane to defraud them through a privatization law.

Bonyhad's Pannonia Co-op is one of the region's most successful cooperatives. Its 400 members cultivate 6,500 hectares, and their average annual incomes are close to 200,000 forints this year.

"Our members say a new land law is needed, and this is why we did not sell a single square foot of land", says Jozsef Solymosi, the co-op's chairman. "On the other hand, if we want a real cooperative, then land titles must be urgently issued. In our opinion, we must start from the present situation, it is unthinkable that the land law can be just retroactively. We feel that we have embarked on the road leading toward a real cooperative. Our members want to stay together. The real estate freeze is inconvenient for us because we are having promising talks with West German and Swedish capitalists on the establishment of three stock companies. We have buildings and farmsteads we do not have much use for, and we did not have the financial resources until now for appropriately rebuilding them. Now we would like to rebuild one of them for grape processing. A study plan for the use of the Istvan Farm for tourism has already been made. We want to build a shopping center at the outskirts of the town. These are investment projects requiring hundreds of millions of forints. The stock companies were to open in June. All this has become impossible now. At the same time, the increasing threat of unemployment in Tolna County is well known."

Hajdu-Bihar County: The Experts Are Fleeing

In Hajdu-Bihar County, 91 large enterprises, mostly cooperatives, this year purchased or ordered 6,000 [metric] tons less artificial fertilizer than last year. This is partly due to the uncertainty caused by the present transition, but the fact that they had to pay 290 million forints more than last year even though buying less artificial fertilizer, is a hard economic reality.

The fact is, land under large-scale cultivation has shrunk by five percent to date, the reasons being the proliferation of household plots, land leasing, and the return of land to onetime owners. The crop structure did not change in essence, grains and other commodity produce continue to prevail.

It is noteworthy that last year's 2.5-billion-forint investment capabilities decreased this year by five percent. This, in itself, does not seem significant, but the fact that construction investment projects decreased by 30 percent is significant indeed. There is practically no new construction; instead, only projects already under construction are being completed.

Of course, financial strength is also weakened—again, this is an economic issue—by the defaults of major buyers, including the canning industry and the Poultry Processing Enterprise. Csaba Luczi, head of the Economic Division, Hajdu-Bihar County Council's Department of Agriculture, calculates that this, more than anything else, caused financial problems for 25 enterprises. It is no accident that qualified specialists are preparing to flee from the cooperatives. Another uncertainty factor is that the highly anticipated regulatory role of the market is not increasing at the pace at which the interference with affairs of management, professional expertise, and information by the Council, the Association of Cooperatives, and the Economic Chamber is decreasing.

Csongrad County: Not Everyone Can Own Land

The situation is varied even if we look only at what the membership thinks of the economic situation at its cooperative, namely, the membership is more inclined to keep the cooperative form where things did not go well earlier but improved under the recently elected management. But the membership attempts to replace the present iron-handed management with a weaker one where things went well for a long time and still go rather well. And, there is uncertainty in the declining average sized agricultural and specialized cooperatives where the old management does not command the membership's two-third majority support anymore and where the new management cannot, or does not want to, take the former's place.

Lajos Kiss, head of the Csongrad County Council's Department of Agriculture, says that there is diversity even in looking at the future. The specialized cooperatives of Homok have an easier time in beginning anew, for they preserved certain aspects of the small cooperative. On the other hand, practically no conditions for farming, which has different dimensions, exist in black-soil areas. Part of the present co-op membership is well aware that this is precisely the reason why not everyone can own land; even private farms will have paid employees. This, too, adds to the uncertainty, also manifest by a sharp decrease in the number and value of longer range investments.

Bekes County: Extended "Land Battles"

During the past months, readers could not help but learn the names of four Bekes County cooperatives. Smallholders of the Viharsarok [Stormy Corner] turned against the Aranykalasz [Golden Ear] Co-op of Ujkigyos for selling off its land to applicants at prices that were too low; on the other hand, the 1 May Co-op of Bekescsaba used its "easily" acquired hectares for profiteering. The Egyetertes [Unity] Co-op tempted "fate" by distributing

its land among specific persons more on the basis of average pay than on that of years spent working.

It is well known that the Bekes County committee of the Independent Smallholders Party has been fighting, practically from the moment of its revival, against these land sales that it considers illegal. For example, after unsuccessful attempts at winning the support of county council officials, it halted the Ujkigyos action with the help of the County Prosecutor. No doubt, county party director Geza Zsiros' special parliament motion demanding a halt to land sales was expedited by the fact that, despite the collection of signatures, the demonstrations, and all the acts of intervention by the smallholders to prove the necessity of the new land law, the Szabadsag [Liberty] Co-op, the fourth one that became famous during the "land battle", engaged, as if out of spite, in regular land distributions after all. This is how the Szabadsag Co-op became one of the leaders in the process in which about 75 hectares of arable land, already previously redeemed by the co-ops, were passed into private hands through these incriminated land sales.

However, in early June, i.e., before the familiar parliament decision, a noteworthy turn took place, fundamentally affecting the county's agricultural production. At the Agricultural Association's general meeting of delegates in Veszto, representatives of 77 co-ops decided to voluntarily halt land transactions. Also, delegates of successful co-ops, with the exception of that of Belmegyer, Ecsegfalva, and Kardos, added that any concept allowing unlimited control over land that is considered unappropriated is not only unconstitutional but also unjust to the approximately half million workers of large enterprises.

In their brief on the meeting, the co-op delegates agreed on meeting the demand of land acquisition by agricultural entrepreneurs but also thought that the land question cannot be solved by a single so-called land law. They propose, therefore, a separate indemnity law to regulate justified recompensing that society can afford.

What Is the Secret of the Future?

It is entirely immaterial from the aspect of our country's welfare what Joe Smith or Charlie Jones think of economists and their advice on how to ease, or even solve, the crisis. But the opinion of Minister of Agriculture Ferenc Jozsef Nagy is a different matter. And there is a problem here worth mentioning.

During the talk published in our popular economic weekly, the journalist asked the Minister the following, especially timely, question: "Do you really think that, in the event that the 'land reform' proposed by your party will be carried out, the Hungarian economy will be competitive on the world market?" The onetime distinguished farmer gave this surprising answer: "The economists should come up with something better to avoid unemployment in Hungary!" Then continued: "It is expected that 100,000 people will be unemployed by the end of this year, and I ask, how these people are going to

make a living? Only through agriculture, I think: by leasing an acre or two of land... How they will fare is a secret of the future."

I think it is a serious flaw when a minister is inadequately informed and does not know that economists and economic policy makers throughout the world employ a whole series of ways and means to fight unemployment. However, these do not include the mass "migration" of the unemployed back to agriculture. This would be especially dangerous in our small country, where the size and ratio of the agricultural work force is, in comparison with economically developed countries, still rather high. Thus, this is not the road of modernization leading to developed Europe.

But most people involved would be facing insurmountable obstacles anyway, even if—God forbid—the new government were forced politically to choose such a way to battle unemployment. Just a few of them are: Unemployed people in cities and industrial centers have neither money nor investment capital to become "full-time" farmers, having to pay the land lease and buy equipment and many other things indispensable for their work. Also, they dare not give up their homes, acquired somewhere else through immense difficulties, for an uncertain future. In addition, they also lack adequate agricultural know-how.

In reading the not-too-convincing replies, the journalist's question, which elicited considerable interest and which was raised at the end of the interview, also comes to my mind: "Are you not afraid that the present level of food supply would be jeopardized by your envisioned complete reorganization of agriculture?" Again, the reply was anything but a testimony of trust in economists: "I think only economists and theoretical experts, who are unfamiliar with these questions, are afraid of this."

Well, the two-time co-op chairman has the prerogative to dislike economists and theorists, but the minister of agriculture, who is no doubt "familiar with these questions", can indeed be expected to give full and detailed consideration to the economic and social consequences of his proposals and to carefully weigh their benefits and dangers. Furthermore, he can also be expected to listen to economists who perhaps cannot differentiate between wheat and barley but are experts in their field. If the new minister acts accordingly, then "the secret of the future" will no doubt be disclosed to him, too.

IBUSZ Privatization Stock Scandal

Summary of Events

90CH0335A Budapest NEPSZABADSAG in Hungarian
5 Jul 90 p 1

[Unattributed article: "The IBUSZ Affair—Another Round"]

[Text] The budget committee of parliament is scheduled to convene tomorrow, among other things, to look into

the issuing of IBUSZ stocks on 21 June. The debate, which has not been void of personal emotions and clashes with markedly political overtones, began last week when at a meeting of this same committee State Secretary Gyorgy Matolcsy blasted the partial privatization of that travel agency as scandalous. As it is well known, IBUSZ has boosted its capital stock by 400 million forints, by simultaneously issuing stocks on the Budapest and Vienna stock markets. Owing to effective advertising and the firm's notable accomplishments, prices have skyrocketed. The market has reacted sensitively to last week's announcement, as prices have begun to drop. Subsequently on Monday, speaking before a session of parliament, it was Hungarian Democratic Forum representative Istvan Bethlen's turn to fire off some derogatory comments aimed at Istvan Tompe, head of the State Property Office, the agency that had carried out the transaction, whom, despite his parliamentary mandate, some are now trying to remove from his post. Adding a little spice to the whole affair is the fact that of the feuding parties only Gyorgy Matolcsy appears experienced enough to participate in such clashes. He has acquired that experience while taking part last spring in the preparation of APISZ's privatization plans, first as an associate of Financial Research, Incorporated, and for a few months even as a member of its board of directors.

Stock Exchange Chief Comments

90CH0335B Budapest NEPSZABADSAG in Hungarian
5 Jul 90 p 8

[Interview with president of the Hungarian Stock Exchange Dr. Lajos Bokros by M.L.; place and date not given: "Dangerous Course"]

[Text] According to yesterday's announcement by the exchange committee, every time the rate of exchange declines by 1,000 forints, the state treasury, which through the State Property Agency holds 780 million forints worth of shares, is out 800 million forints. According to the president of the Hungarian stock exchange, Dr. Lajos Bokros, this is not the only reason why some of the statements we have heard so far are so alarming.

[Bokros] Our phones have been ringing off the hook as concerned foreign investors are calling to find out what has happened with the IBUSZ [Touring, Money Changing, Traveling and Shipping Co. Ltd.] stocks. The government naturally has the right to form opinions, but it should take a unified public stand.

[M.L.] A year ago you were one of the chief opponents of the restructuring plan that laid the ground works for privatization. Have you changed your position since then?

[Bokros] No, I have not. I still believe that there are too many loopholes in the law. On the other hand, among

today's opponents there are some who, according to their studies published at the time, used to represent just the opposite position. Hence I feel that both from the professional and political standpoint, the accusations being made today lack credibility.

[M.L.] Some claim that these accusations may also be personally motivated, for example, by foreign banks who have been left out of the deal.

[Bokros] This I cannot comment on, but I would not like see Hungarian financial life, and the stock market in particular, to become another battle ground for foreign capital.

State Secretary Matolcsy Implicated

90CH0335C Budapest NEPSZABADSAG in Hungarian
5 Jul 90 p 8

[Article by Sz.H.: "Chair and Consciousness"]

[Text] In response to our inquiry, Andras Kardos, president director of APISZ [State Paper Cooperative Enterprise] has told us that Gyorgy Matolcsy had sat on the company's board of directors between 7 April to 10 August, representing Financial Research, Incorporated. APISZ had first established contact with Financial Research at the end of 1988, and by the beginning of the following year they signed an agreement to work out a concept concerning the restructuring of APISZ. This study was prepared by Gyorgy Matolcsy and Ferenc Szucs. It was more or less in accordance with this study that the transformation of the enterprise into a private company has been carried out, with the difference that the original concept had also called for turning the stores themselves into limited liability partnerships. The study (which cost 2 million forints), was not prepared specifically for APISZ; it has been sold in multiple copies, and served as the basis of many other transformations of enterprises into private companies. So these other company foundations may also have been blemished by the same technical flaws which the Supreme Court has objected to in the case of this newly created stock company. In the meantime, however, these flaws have been corrected, and APISZ has won the suit brought against it on their basis. Gyorgy Matolcsy's departure from the board of directors was prompted by the joining of new owners such as Citibank and Berges, Incorporated, who have asked nonowners to resign.

In the past few days we have also tried on several occasions to contact State Secretary Gyorgy Matolcsy to learn more about his misgivings concerning the issuing of IBUSZ stocks, and his role in the reorganization of APISZ into a private company. Unfortunately, we have been unable to talk with him in person, and have waited in vain for him to return our call.

Privatization Chief Defends Action

90CH0335D Budapest NEPSZABADSAG in Hungarian
5 Jul 90 p 1

[Interview with Dr. Istvan Tompe, managing director of the State Property Agency, by G.M.; place and date not given: "Dr. Istvan Tompe: It Was a Success"]

[Text] At Tuesday's session of parliament, Istvan Bethlen lashed out at Dr. Istvan Tompe, managing director of the State Property Agency [AVU], calling him an incompetent dilettante for his role in the IBUSZ privatization affair.

[Tompe] Every privatization entails risks. This is especially true in Hungary where we still do not have a system of transferring property into private hands, and where privatization attempts in the past had run into all kinds of trouble. Despite all of this I remain convinced that the encounter between the State Property Agency and IBUSZ has been a beneficial one. This action dates back to before the AVU was even established. Already at the end of last year, there was talk of enlisting the help of Girozentrale to introduce the tourist firm's stocks on the Vienna stock exchange. We have also managed to list the stocks on the Budapest stock exchange, and have successfully completed the transaction. This is not to say that you cannot find faults with the way it was done; the AVU is in the process of preparing a soon to be released self-critical analysis the aim of which is to ensure that we do not repeat the mistakes identified. In sum, however, I will still say that this action has been very successful.

[G.M.] In what way?

[Tompe] At the parliamentary session Istvan Bethlen tried to argue that the incredibly quick value increase was a sign of dilettantism. He even claimed that such things were unheard of in the West. Well, this latter assertion is false; the privatization of one of the British government's shipping enterprises, for example, has caused a 15-fold increase in the value of that firm over a five-year period. As far as our domestic conditions are concerned, on the other hand, so far we simply have not had any stocks on the market. Hence the demand has been naturally driving up the prices.

[G.M.] How will all this furor surrounding the AVU affect the privatization process?

[Tompe] Constant parliamentary investigations and dismissals of personnel will only cast doubts over the seriousness of the government's intentions. All you need are a couple of such cases, and there will be no more interest in investing in Hungary.

[G.M.] The observer gets the feeling that under the guise of protecting the public, private accounts are being settled here.

[Tompe] In my judgement this case has been blown up to serve as a pretext for my removal. And this, I think, is outrageous. For so far I have written twice to the prime

minister, and have also made it clear to the public: If they consider my position to be a political one, which for whatever reason they think I am not the right person to fill, I would be ready to resign. In view of this tactless personal attack on me, however, I refuse to resign. Let them fire me if they so wish!

Tompe's Removal From Office Possible

90CH0335E Budapest MAGYAR HIRLAP
in Hungarian 5 Jul 90 p 5

[Article by F.L.: "Istvan Tompe: I Don't Have To Defend Myself; The State Is Merciless and Forgetful"]

[Text] At Tuesday's plenary session of parliament, sharp polemics were exchanged concerning the [State] Property Agency. The increasingly heated debate which had first begun weeks ago with disagreements over who should oversee the agency and have continued with the controversy surrounding the issuing of IBUSZ stocks, has turned into a harsh personal attack on the manager of the Property Agency. The government would like to bring the agency under its full control. At the same time there have been rumors about a plan to replace Istvan Tompe with another managing director. We have asked Istvan Tompe to talk with us about these issues.

"The case of IBUSZ and the Property Agency must be looked at separately from my personal situation. Those who are working toward my removal, including Istvan Bethlen and State Secretary Gyorgy Matolcsy, would like to connect the latter to the IBUSZ affair. They are trying to create the impression that the reason I need to be removed is not because the coalition government considers my post to be a politically important position, but because I am professionally unfit for the job," opened the conversation Istvan Tompe.

"The IBUSZ case was conducted in full public view, and I do not believe that I have any reason to defend my actions. One point of controversy has been the stocks' issue price which in these kinds of cases is the most difficult task to determine. We were looking for a price that would suit the Hungarian general public, one, in other words, that was not too high and would at the same time also be considered reasonable by foreign investors. It would be impossible to find the ideal price. This is clearly evidenced by the fact that while Hungarian subscriptions were more or less on par with the opportunities offered, in other words there was no drastic oversubscription, foreign subscriptions ran 15 to 20 times higher than the available volume," explained the head of the Property Agency.

"This, however, is not to be attributed to the price. Many foreigners were buying IBUSZ stocks as if they were first-day issue stamps," claimed the managing director. "This stock is a rarity; it is Eastern Europe's first stock. Those challenging the price are forgetting to take this into account, as well as the fact that before we can make rational estimates within narrow margins of error about stockholder behavior, we need to have a large selection

of stocks on the market. And today the only stockholders we have are IBUSZ and Skala. Hence Western experiences so far have only had limited applicability. The argument, therefore, that the issue price of these stocks was too low, in my view, does not hold up."

"Despite claims to the contrary, until now we received no official objections from the government to what we were doing. There were, of course, many debates. One proposal, put forward by circles close to Mr. Bethlen, was, in essence, calling for an exclusive private issue, available only to selected groups of investors. The investors, at the same time, would have had to pledge not to take their profits out of the country. While this proposal contained many rational elements, under the given circumstances we decided that it would be a better idea to go with a stock issue strategy that would also involve the Hungarian banks, and would also target the small investor. Moreover, taking the stock to the Vienna stock exchange after it had been introduced in Budapest also carried an important message regarding our commitment to privatization."

"In the final analysis," insisted Istvan Tompe, "the issuing of IBUSZ stocks was a success, despite the fact that it has encountered several difficulties. Things were not moving along as smoothly as we would have liked, and there was relatively great confusion. Here we still lack the necessary mechanism. We also had advertising problems. The initial stock issue should have been accompanied by an enormous sales campaign. Had we done this better we could have increased the share of small investors by as much as 50 percent," said the managing director.

"Privatization arouses intense debates in all countries. The government must now decide whether it wants to look at the facts, or let people take positions too often, to changing moods and emotions. If this happens too often, it may cause potential investors to lose confidence, for to them it is a sign that in Hungary the privatization climate is not favorable, and that every time something happens there, they take an aim at somebody. They find that it is better not to be near the state, for it is harsh, merciless and forgetful. When they start questioning one or two successful business transactions, this puts in serious doubt the intentions and credibility of the government," stressed Istvan Tompe.

"On several occasions I have made it clear to the government, both in the form of letters and statements to the media, that if they considered my job to be a political position, and if they no longer needed me I was ready to resign," explained the director. "I have also indicated," Istvan Tompe continued, "that I did not see any problem with bringing the Property Agency under government control. To date no one has consulted with me regarding these issues, yet the attacks against me have become more and more blatant. Despite my gestures, they have failed to establish contact with me, and I have continued

to try to do my job as best as I could. So if those pushing for my removal want something different, let them initiate my dismissal."

"I would consider it a grave mistake to extend the attack on me to include my colleagues. For in that case they would be left with a formally existing, but deserted Property Agency. And the fact is that even in its present condition, 50 percent of what we have to do requires improvisation. We need, for example, to establish a broad national investment system which will require considerable effort on the part of our investment bankers. The agency also needs to develop a communications network. If the government wishes to reduce the agency to an executive organ, one which would be asked to carry out the instructions of the economic policy secretariat, for example, then it would end up to be nothing more than a rehashed form of the manual control system of the past decades," Istvan Tompe concluded his monologue.

Austrian Bank Explains Position

*90CH0335F Budapest MAGYAR HIRLAP
in Hungarian 7 Jul 90 p 6*

[Interview with Peter Zelnik, managing director of Girozentrale Investments, Incorporated, by Emilia Papp; place and date not given: "Was IBUSZ a Bonanza for Girozentrale? The Managing Director Responds to Criticisms"]

[Text] In the debate that has flared up around IBUSZ's introduction to the stock market, several charges have been levelled in recent days against Girozentrale Investment, Incorporated, a low-key Austrian bank which so far has been quietly standing by in the business background of the case. We have asked Peter Zelnik, managing director of that financial institution's Budapest subsidiary, Girozentrale Investments, Incorporated, to respond to the criticism.

[Papp] Many are sharply critical of the fact that IBUSZ has also been taken to the stock market in Vienna; but if it had to happen, they say, they should have at least chosen someone other than a third-rate bank such as Giro. They could, for example, have picked either the Creditanstalt Bankverein or the Landerbank.

[Zelnik] Girozentrale, according to its overall balance last year, is the second-largest bank in Austria after the Creditanstalt. The Landerbank is only fourth in line. As far as the Austrian capital market is concerned, I can assure you that we are number one. Over the past 6 years our share in the initial issuing of Austrian stocks has been 50 percent.

[Papp] How much, in your opinion, has Giro made on the deal? Rumor has it that since it had been given exclusive rights to introducing the stock on the Vienna exchange, its earnings have even exceeded those of IBUSZ.

[Zelnik] While it is true that we were IBUSZ's sole representative on the Vienna stock exchange, this was only because it seemed logical to have only one member of the consortium organized to manage the international

release of IBUSZ stocks serve in that capacity. For IBUSZ's stocks have been issued not only in Hungary and Austria, but in other countries as well which required that we put together a whole team of banks. Banks such as the Deutsche Bank AG, which is the largest bank in the FRG. One could take issue with the fact that no other Austrian Banks were included in the consortium. This, in my opinion, would have only been logical if there had been uncertainties about the salability of the stocks, or if the consortium had been headed by a weak bank, without an extensive sales network. To give you a comparative figure: Girozentrale's annual share of the profits last year was 510 million schillings.

[Papp] It has been charged that Giro had initially withheld a portion of the stocks, only to put them back on the market later, thus generating even greater surplus earnings for itself.

[Zelnik] Girozentrale Wien did not withhold a single stock. This despite the fact that originally it had been agreed that both in Vienna and Budapest, 3 percent of the stock package would be withheld in order to stimulate market volume during the first few days. The Property Agency, however, later requested that Girozentrale Wien forego this reserve for the benefit of the Hungarian investors. So Giro Wien did not make a single schilling on the exchange rate surplus.

[Papp] If, as you claim, in view of the expenditures involved listing IBUSZ on the stock exchange was not such a good deal after all, why did you insist so much on sticking with it? After all in the course of your negotiations with the Property Agency, you even agreed to revise the conditions of an already sealed contract.

[Zelnik] It is not the profits reaped from individual deals that matter to us. While this may be what people are saying, the fact is that not even in connection with the sale of Tungsram had we made unusually large profits, only slightly more than what we would have earned by simply extending a loan for the period of the deal. Our aim is to promote the development of the Hungarian stock market, and subsequently to earn an appropriate share of it. It will be then that today's investments will begin to bear fruit.

POLAND

Enterprises Limit Exports to USSR; Import Reductions Also Noted

90EP0802A Warsaw TRYBUNA in Polish 5 Jul 90 p 2

[Interview with Dariusz Ledworowski, 40, under secretary of state in the Ministry for Foreign Economic Cooperation, previously an employee of the Institute of Economic Sciences, Polish Academy of Sciences, by Krzysztof Krauss; place and date not given: "Playing This Game Is Worthwhile..."]

[Text] [Krauss] Are you not afraid of us losing the market in the East? For example, in May, Polish exports

to the Soviet Union were 6.5 percent smaller than a year ago, and imports decreased by about 45 percent....

[Ledorowski] Our imports rather than exports have been falling for a long period of time now. May was an exceptional month. The cumulative value of exports counting from the beginning of the year exceeds the level of last year.

We are not losing the Soviet market, nor do we intend to lose it. This would be unreasonable and contrary to our national interest. However, the arrangements which the mutual trade of CEMA countries, including the USSR, is based on are in need of streamlining and adjustment to new conditions.

The direction of internal reforms in all European CEMA countries, and not just in Poland, compels changes "on the outside." This causes all partners to be interested in changes. However, the degree of preparedness to introducing a market-based mechanism of cooperation also differs due to the varying degree of internal systemic changes. A systemic inconsistency is present in our economy, this year expressed by the fact that, in our trade with the USSR, we are implementing a trade protocol based on the provisions of a five-year agreement signed still in keeping with the old canons (state trade), whereas enterprises are already operating in the environment of market-economy logic.

Specific actions of enterprises which are, after all, independent at present should follow the still detailed agreements signed by the states. Conflicts have come about. The interest in exports is greater than the protocols call for, whereas that in imports is smaller. As a consequence, a large segment of protocols on trade with the USSR in 1990 still have not been assigned by means of trade contracts. The "center" is blamed for this. However, it is not up to the "center," some state offices, to penetrate the market of our neighbor and coordinate what is to be bought or sold, when, and for how much.

[Krauss] Are the enterprises failing to use the opportunities provided by the government? The editorial office receives every day letters, resolutions of employee councils, and protest letters by directors who blame "the center" for hampering exports to the Soviet Union!

[Ledorowski] I am not talking about exports, I am talking about imports. Indeed, with regard to exports farmers complain that we are supposedly closing the Soviet market for them; the textile workers are in revolt on account of our supposedly depriving them of their jobs by pulling out of the Soviet market.... We have never had "a Soviet lobby" that strong in our enterprises!

This change in the attitude of the enterprises and their work forces augurs well for the future.

[Krauss] However, you were the one to bring up restrictions on exports to the Soviet Union.... It would appear

that in an economy liberated from administrative tutelage, calculations of economic benefits should be the only decisive factor. If exports to the USSR are profitable for enterprises, why make them difficult?

[Ledorowski] Difficulties for these exports are due to the status of our balance of payments, a high surplus of sales over outlays for imports, rather than to some "center" which has a reluctant attitude towards them; the state supports all profitable exports. In a bilateral rather than a multilateral system of settlements, an export surplus means extending credit to your partner. Meanwhile, such a system is still in effect for trade with the USSR, despite the changes under way. At present, we cannot afford to extend credit to the Soviet Union!

It is not "the center" but the enterprises themselves which restrict their opportunities for exporting to the USSR by failing to use the import quotas set forth in the protocols for this year. We have purchased 30 percent less goods than a year ago; so, how can we sell more?

If not the enterprises, who is to make use of the surplus proceeds from exports? "The center" is accommodating the enterprises anyway. Recently, "export quotas" for machinery and equipment sold to the USSR specified in the annual protocol have been increased by more than one-half. This is an indirect form of state help to the enterprises of this industry which are now facing difficulties with sales. In the absence of additional exports to the Soviet market, these enterprises would be in danger of drastic cuts in production, and their work forces would be in danger of losing their jobs.

The condition is that the prices negotiated should ensure the full profitability of production; the quality of the products should be such that the Soviet partner would be prepared to pay for them in the future with convertible currencies rather than transferable rubles.

[Krauss] You complain that enterprises do not use up "import quotas...." Anybody who has recently been to the Soviet Union knows full well how difficult it is to buy anything over there. After all, the objective is not to import just something, but to import sensibly.

[Ledorowski] The protocols guarantee access to goods which are attractive for the Polish partners. Of course, there were and still are difficulties: crude oil, gasoline.... However, in general, the Soviet Union approaches the obligations it has assumed very conscientiously; with the few exceptions which I have mentioned, this is a market which is open to our merchants at least to the extent following from state-to-state agreements.

[Krauss] Imports are declining from [other countries], not just the Soviet Union. In May, our trade surplus with the so-called second payments zone (freely convertible

currencies) which has been growing since the beginning of the year reached more than \$1.6 billion. Only in the case of machinery did we buy more from the West than a year ago; we bought less of all other goods and services....

[Ledworowski] This is a consequence of the recession which our economy is now going through. It is primarily due to the recession that the enterprises fail to take advantage of opportunities for stepping up their imports from the Soviet Union as well. However, the recession will, after all, come to an end. Even now we should be preparing for satisfying the import needs of a developing economy in a regular manner. Of course, I do not mean enterprises only. We should act imaginatively in the sphere of systemic arrangements as well. This involves, among other things, trade with the USSR which at present is more "normal" than it used to be, but still is not entirely "normal...."

[Krauss] What about prices?

[Ledworowski] A lot remains to be done in this sphere as well. The normalization of prices (that is, basing them on world-market prices) has already begun. This process has developed without major disruptions or resistance though, as we should be aware, such "price normalization" is not to our advantage in all cases. However, I mean setting in motion mechanisms which would allow for a more complete liberalization of mutual trade than has been the case and elimination of the impediment to augmenting this trade which is found in the need to currently balance it on both the export and import sides.

[Krauss] Is this possible?

[Ledworowski] It is. We have approached our Soviet partner with pertinent proposals. I believe that we will come to an agreement. The prices, of course, would be only those of the world market, and settlements would be in freely convertible currencies. Clearing would still be used, but a markedly modified one. The governments would continue to sign agreements, but in the form of obligations to grant the enterprises licenses for exports and imports within the quotas set forth in these obligations rather than in the form of rigid protocols. It would be up to the freely selected partners—manufacturing and commercial enterprises—to determine who sells what, how much, and at what prices.

Apart from setting the quotas of the exports and imports envisaged, the only interference by the state would consist of a very restricted list of so-called strategic goods with regard to which the government would be the guarantor of meeting quantitative quotas. With regard to Soviet exports to Poland, this list, in keeping with our proposal, would include crude oil, gas, refinery products, and electricity, and, on the Polish side—coal, sulfur, and eventually something else; the issue is open. In these cases, long-term agreements would be used, similar to the ones we have signed with, for example, Austria. However, specific contracts would be signed by economic organizations empowered by the governments rather than by the latter themselves.

[Krauss] How would this be different from the clearing used to date?

[Ledworowski] The system of settlements would be different; so-called technical credit would be used. However, it would not exceed five percent of the value of trade. Everything in excess of technical credit would be payable in authentic convertible currencies. In practice, this is how it would look: After a settlement period (a calendar year) comes to an end, the amount of surplus exceeding technical credit and calculated in U.S. dollars is established. The party which turns out to be a debtor as a result of this settlement (imports exceeding exports) would have an obligation to pay its debt within several months. It must offer pertinent goods and find buyers for them. If such goods are not offered, or buyers are not found, this party simply pays the partner, cash on the barrel, after a predetermined period (we are proposing three months).

This is still not entirely "free" trade because import and export quotas do exist (as it is, they are used by many countries with classical market economies). However, nobody constrains the partners any longer in any way within the framework of these quotas. All that counts is resourcefulness and the ability to gain markets. Profit and currency are what they ought to be; playing such a game is worthwhile!

[Krauss] Thank you for the interview.

Bankrupt Enterprises Choose Either Liquidation or Reparation

90EP0806B Warsaw GAZETA WYBORCZA in Polish
10 Jul 90 p 2

[Article by (kak): "How Are the Bankruptcy Cases Doing?"]

[Text] Insolvent state enterprises have two roads open to them: liquidation or curative proceedings. The minister of industry has already made this choice in the case of several enterprises.

We decided to check on the course of liquidation and curative proceedings at bankrupt Polish enterprises.

The Strug Wool Industry Enterprise in Lodz—liquidation.

On Monday, the receiver of the enterprise, Czeslaw Urbaniak, submitted proposals for the takeover of still new Strug facilities by a joint-stock company of the State Treasury together with the Lodz enterprises of the wool industry Textilimpex and "Spring of the Peoples." The rest of the assets would be sold, thus covering 2.5 billion zlotys of the debts of the company.

According to these proposals, more than one-half of the employees would be laid off.

Cotton Industry Enterprise Politex in Lodz—curative proceedings.

Mieczyslaw Michalski, the temporary manager of the enterprise, wants "to set the acquisition of goods in motion." He is planning to open several new company outlets in the country.

However, he did not want to discuss details because he had just begun to work on that very Monday and had not settled in yet.

Wool Industry Enterprise Konstilana in Konstantynow Lodzki—the future is unknown.

The company is in danger of being liquidated, but at the moment its fate is still being decided. The director and the employee council are seeking to begin curative proceedings. However, they must find a market for the products of the company.

Steel Mills at Crisis Point; Government Support Role Necessary

90EP0806A Warsaw GAZETA I NOWOCZESNOSC
in Polish No 27, 12 Jul 90 p 4

[Article by Stanislaw Tochowicz: "Yes, It Is a Crisis"]

[Text] It was too late even yesterday to solve many economic problems, including those of the iron and steel industry. Tomorrow may be much too late. The economy does not tolerate an opportunistic approach.

This is why I favor rapid organizational changes in the iron and steel industry. I mentioned this at the meeting of the Katowice Citizens Committee with Minister Syryjczyk and Minister Kuczynski in Katowice on 18 May. Both ministers have agreed that changes are necessary.

Minister Syryjczyk had only one question: Should the changes be made right now? In my opinion, this question does not make sense, as long as we agree that changes are necessary.

In economic operations, you cannot by any means delay the introduction of what you consider to be correct, even if it means admitting at the same time to a mistake made previously.

Changes in the iron and steel industry should be introduced by professionals through sufficiently large economic organizations which are necessitated by the scale of the necessary outlays.

These changes should not be financed by charitable individuals. They should be commensurate with our own potential and the level of available loans. The effectiveness of changes should determine the quality of life of the people of this industry rather than another one. This is why we cannot postpone making this decision.

In general, the consensus is that Deputy Prime Minister Balcerowicz has been successful in implementing the part of his program which involved rapidly bringing inflation under control. However, subsequent stages of the program, of which only a general outline is known anyway, are frequently criticized. In particular, the

expectation is that the industrial authorities of the state will act much more intensively than they have. These are the authorities who should now also play the role of the representative of the owner of assets.

However, many official publications and statements suggest that a free market with its tough laws should dictate changes in principle in the organization of our economic life. This mechanism has been effective in our country in many cases as well. Heaps of tropical fruit in the stores, on stands, and in kiosks, the stabilization of the market of foodstuffs, and the movement of prices in both directions testify to the operation of mutual connections between supply and demand.

The laws of the market applied because...the market could emerge quickly. The financial potential of players in the market and the volume of capital transfer associated with its operation were commensurate (that is, the entrepreneurs had enough money to invest, purchase, and wait—for a short period of time—for a response from the market, i.e., purchases by consumers).

However, there is no free market in large-scale industries. There is nothing to justify the hope that it can emerge soon. The capital needs and the financial potential of society in this field are so incommensurable that it is impossible to balance them in the immediate future. After all, these are exactly the conditions under which the existing industries that constitute our national assets—the iron and steel industry, the automobile industry, shipyards, machine building, and others—have to operate.

It is also known that at some time all of them will be exposed to the world market. In my opinion, this is why we should act rapidly and efficiently right now in order to bring at least selected industries into compliance with the requirements of such a market.

Of course, the duties and responsibilities of the state authorities are considerably smaller when private property dominates in industry. However, under our circumstances, the state authorities should be aware of the fact that they play two roles at the same time: that of state administration and, on top of that, a representative of the owner of assets.

A representative of state authorities may put his trust, even in a dogmatic manner, in the laws of the market and wait until the consequences of its operation appear (naturally, only if the market exists, because only in this case may he allow himself the luxury of noninterference).

An owner must be active both when the market exists and when it does not. After all, he must take care of the assets which provide a foundation for his existence.

Privatizing all fixed assets would be a good way out. It would rule out shortsighted activities that are geared only to short-term profits or applause. Owners defending the condition of their existence would have reacted very swiftly.

Unfortunately, the likelihood of privatization is small, despite the incredibly high value of such assets. The state treasury will continue to be at least the main co-owner of these industries.

Let us take a look at the Polish iron and steel industry now. I evaluate its current condition as critical. I believe that it is fraught with many economic and social dangers, including dangers primarily to Upper Silesia itself and to its residents.

We see in our country the break up of the iron and steel industry into individual enterprises which is unjustified and without parallel in the world. The management teams of these enterprises, which for the most part have been put together strictly on the basis of the communist principle of cadre selection, are subject to virtually no control.

Given the enormity of its workload and the lack of information flows, the Ministry of Industry, which is the representative of the owner, cannot control them.

Control by the employees is not very likely due to the skillfully used stick-and-carrot principle: On the one hand, there is the threat of layoffs, while on the other hand there are wage benefits (these benefits are distributed regardless of the technical and economic performance achieved).

As a result, price gauging is the only concept-oriented activity in which many of these management groups engage at present. The object is to ensure the highest possible profits at the moment and to earmark the highest possible share of them for the wage fund. In this manner, one becomes popular among the workforce. However, this affects the condition of the enterprise and the entire economy of the country. After all, prices of the products of the iron and steel industry are an important component of prices for the products of virtually the entire industry.

Completely obsolete metallurgical equipment is kept in operation persistently, whereas modern equipment which may be commissioned either right away or within a very short period of time is left unused, despite the fact that suspending the use of obsolete equipment and commissioning modern equipment would fundamentally affect the condition of the natural environment of Silesia and the economic performance of the iron and steel industry. I will add that much purchased and sometimes previously used modern equipment is not in operation, which is important from the point of view of both technology and the condition of the natural environment.

Moreover, raw materials, semifinished goods, including even raw steel in ingots, are being sold abroad in the name of extemporaneous, frequently altogether personal, benefits to the chiefs of some iron mills, despite the fact that at the same time domestic rolling equipment is standing idle. Instead, finished products are being imported.

The balance of such transactions cannot be favorable for the country under any circumstances, to say nothing of the fact that these preliminary metallurgical processes put pressure on the Polish natural environment.

It is known that the liquidation of obsolete equipment which is burdensome for the natural environment is unavoidable. However, nobody is making ready to put to use outstanding work forces.

Meanwhile, the same people could get involved in processing further the iron and steel goods earmarked for the main consumers such as shipyards, automobile plants, mechanized equipment plants, construction, and so on, in other words, transfer to the sphere of the processing industry. As of now, being thrown out into the street is the only alternative.

The crisis of the Polish iron and steel industry is not an isolated phenomenon in the world. Virtually all economic potentates of the world, with the United States and Western Europe included, have survived the same or similar conditions within the last 20 years. The modes of their actions, both organizational and technical, as well as the results secured, are known and have been described many times. It is necessary to act swiftly and in a resolute manner at present, drawing on their experience.

To begin with, there are several basic prerequisites for the decisionmaking process. Here are the most important of them:

- Considerable value of the existing assets.
- Throughout the world, there has been no precedent for an economic organism of our size giving up its own iron and steel industry.
- A large group of employees are closely associated with the industry.

Many more arguments in favor of letting the Polish iron and steel industry live may be found. The ones I have cited above are, perhaps, sufficient. However, we need to decide what we want to produce and how much of it, as well as how the iron and steel industries are to be organized.

First of all, I consider a resolution of the latter issue to be urgent.

This is why, to my mind, swift organizational measures are necessary. They must be taken by the owner of the assets, of whom the Ministry of Industry is a representative, with a view to developing in the long run a reasonable organizational model of two large iron and steel mills which have been state property for a long time. In principle, they should produce semifinished goods for many smaller enterprises which will, in turn, manufacture finished metallurgical products which are highly upgraded.

In the near future, highly varied forms of the property of these enterprises could develop with the prevalence of joint-stock companies with various forms of shareholding, including employee shares.

However, first of all the iron and steel industry needs to be integrated into an organization in which the rational restructuring of the industry could be carried out under the supervision of the board of trustees.

We will not get going otherwise.

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68

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